Austria	Sch30	Indonesia	Rp3100	Pakistan	Rs25
Bahrain	Din0.900	Iran	Rls210	Philippines	Pso40
Belgium	BFr60	Israel	Shk4.50	Poland	Zl 15,000
Cyprus	C£1.00	Italy	L2200	Portugal	Es175
Czech	Kcs35	Jordan	JD1.20	Qatar	QR10.00
Denmark	DKr13	Korea	Won 2000	S.Arabia	SR9.00
Egypt	E£3.50	Kuwait	Fils.500	Singapore	S$4.10
Finland	FM9.50	Lebanon	L£1,000	Spain	Pta175
France	FFr8.00	Lux	LFr60	Sweden	SKr13
Germany	DM3.00	Morocco	MDh10	Switz	SFr2.70
Greece	Dr250	Neth	Fl 3.50	Thailand	Bt50
Hungary	Ft145	Nigeria	Naira15	Tunisia	Din0.800
Iceland	IKr180	Norway	NKr13.00	Turkey	L5000
India	Rs20	Oman	OR1.20	UAE	Dh8.00

EUROPE'S BUSINESS NEWSPAPER

FINANCIAL TIMES

FT No. 31,558

Tuesday September 17 1991

D 8523A

SOVIET UNION
Kazakhstan seeks control of N-weapons
Page 2

World News

Oliver North case fails as prosecutor backs down

A US federal judge dismissed the case against sacked White House aide Oliver North after the Iran-Contra prosecutor said he would give up trying to reinstate convictions of obstructing Congress, destroying documents and accepting an illegal gratuity. An exultant North said: "I have been exonerated completely." Gates *admits errors, Page 6*

Protesters pelt Baker
A volley of tomatoes was launched at US secretary of state James Baker's car by angry protesters as he arrived in Jerusalem. He held more than three hours of talks with Israeli premier Yitzhak Shamir. Page 22

Hizbollah backtracks
Sheikh Abbas Musawi, leader of the pro-Iranian Hizbollah movement, backtracked on a series of predictions that a western hostage was about to be freed in Beirut. Page 4

Noriega trial opens
The drug trafficking trial of ousted Panamanian dictator Manuel Antonio Noriega began in Miami with the prosecution saying it would prove that the former general had enriched himself through his illicit relationship with Colombia's cocaine cartel. Page 6

Councillor shot dead
Bernard O'Hagan, a councillor representing Sinn Fein, the IRA's political wing, was shot dead as he arrived for work at a college in Magherafelt, Northern Ireland. A loyalist paramilitary group said it was responsible.

Pledge on Hong Kong
Britain will work for a progressive extension of democracy in Hong Kong following the sweeping victory by democrats in the colony's first direct elections, British foreign secretary Douglas Hurd said. Page 22

Soweto call ignored
Residents of Soweto, South Africa's largest black township, largely ignored a call by the African National Congress to stay away from work in protest against continuing political violence.

Manila votes to evict US
Philippines senators rejected a new military bases pact with Washington, but the US hopes to stay on if President Corazon Aquino manages to reverse the verdict in a national referendum. Page 22

Canada scandal defused
A potential scandal for Canada's Conservative government was defused when the Ontario attorney-general dropped privately brought charges of fraud and obstruction of justice against 15 high-level government and police officials. Only one official now continues to face investigation.

Car bomb kills three
A car bomb killed two police and the driver of a tow truck in the south-eastern Spanish town of Muchamiel. It had been placed outside a civil guard barracks. Basque collapse, page 3

Master spy's request
East Germany's former master spy, Markus Wolf, asked for political asylum in Austria, a request that embarrassed both the Bonn and Vienna governments. Page 3

Six die in helicopter
All six crew were killed on Saturday when a US Navy helicopter crashed in the Gulf during a routine training mission.

Satellite active
Ground controllers at Cape Canaveral began activating instruments on a $633m environmental research satellite after resolving a communications problem and adjusting the orbit to avoid collision with space debris.

Business Summary

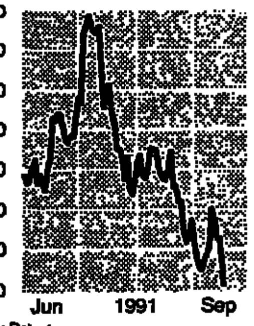
Five resign as Dresdner Bank alleges misconduct

Five employees have quit the Eurobond new issue department of Germany's Dresdner Bank following management allegations that they breached rules on bond and equity transactions.

The resignations coincided with the announcement that an investigation by Frankfurt Stock Exchange's insider dealing commission had failed to find any rule violations at Deutsche Bank, Germany's biggest bank.
Page 23

NICKEL fell below $7,700 a tonne on the London Metal Exchange to close at 18-month lows. Demand prospects are poor and could fall towards $7,500, barring further production cuts. Cash metal closed in London at $7,620.5. Commodities, Page 34

Nickel
Cash metal ($ per tonne)



Source: Datastream

PEPSICO, US drinks, snacks and restaurants group, is axing 1,800 jobs at its Frito-Lay snacks business. Page 30

CAMPEAU Corporation, ailing Canadian property developer, finally reached agreement on restructuring with its biggest shareholder and creditor, the Reichmann family's Olympia & York. Page 30

KOOR INDUSTRIES, Israel's biggest industrial group, made a first-half net loss of Shk112m ($48.5m) compared with a Shk84m loss in the same period last year. Koor owes over $1.2bn to foreign and Israeli banks.

AMSTRAD and GEC Marconi, UK electronics companies, are developing a mass-market video telephone which could sell for under £500. Page 24

FERMENTA: Shares in the Swedish biotechnology company its finance arm, Independent, were suspended in Stockholm, increasing expections that a long-term loan package for Independent is imminent. Page 23

ANGLO AMERICAN and Gencor, South Africa's biggest mining houses, are buying Middelburg Steel and Alloys for R1.07bn ($378m) from Barlow Rand, the country's industrial flagship. Page 23

BRITISH Airways announced a top management switch following the resignation of the airline's director of marketing and operations. Liam Strong is moving to become head of a big, yet-to-be-named UK retail business. Page 24

FRENCH small businesses are to enjoy new tax breaks. Prime minister Edith Cresson announced a plan involving higher capital gains tax to fund tax cuts and investment incentives. Page 3

BRAZIL: eight of the country's nine stock exchanges have linked to form a national electronic trading system with a single index. Sao Paulo, the biggest bourse, will remain independent. Page 33

NIKE, US sportswear maker, surprised Wall Street with first-quarter earnings 14 per cent stronger at a record $114.4m Page 30

DALGETY, recently restructured UK food company, saw annual profits fall from £118.1m to £110.9m because of disposals and lower property profits. Page 24; Lex, Page 22; Background, Page 30

UN teams in Iraq may get armed escorts

By **Lionel Barber** in Washington

THE US has drawn up plans to send armed multinational escorts into Iraq to provide military muscle for United Nations inspection teams seeking access to Baghdad's ballistic missile sites.

Acting under the umbrella of the UN, the US along with Britain and other allies aim to issue an ultimatum to President Saddam Hussein this week - unless Iraq allows the UN teams to fly their own helicopters on aerial inspections of suspected nuclear and unconventional weapons sites.

The urgency in Washington stems directly from President George Bush, who is due to deliver a keynote foreign policy speech to the UN General Assembly in New York on Monday. Mr Bush views Iraqi defiance of the UN inspectors and of the UN's own ceasefire terms as a critical challenge to the credibility of the organisation, a US official said.

Iraq appeared yesterday to seek to defuse the confrontation with the UN, offering to allow flights by UN helicopters inside its airspace. However it warned that the helicopters should not be used in any way that compromises Iraq's national security.

Diplomats at the UN said they thought Iraq was hoping to prevent aerial photography.

Mr Abdul Amir al-Anbari, the Iraqi ambassador to the UN, gave the assurances to this month's president of the Security Council, Mr Jean-Bernard Merimee of France. Mr Merimee said the Iraqi response "is not totally negative, it is not totally satisfactory either."

Mr Thomas Pickering, the US ambassador to the UN, yesterday informed other members of the UN Security Council of the US plan to force Iraq to comply with Resolution 707. This calls for Iraq to provide "full, final and complete disclosure of all aspects of its programmes to develop weapons of mass destruction".

The US, Britain and other unnamed countries would ready to dispatch armed escorts - believed to include aircraft - to protect the UN teams which have been in Iraq since the ceasefire resolutions were adopted after the end of the Gulf war.

Continued on Page 22

Dutch call for armed intervention in Croatia

By **Quentin Peel** in Bonn, **Laura Silber** in Belgrade and **Edward Mortimer** in London

DIVISIONS in the European Community over how to respond to the crisis in Yugoslavia will come to a head on Thursday when the West European Union will consider sending a peacekeeping force to separate Serbs and Croats involved in the escalating civil war.

The WEU will meet in The Hague on Thursday to discuss the Dutch proposal to send an intervention force.

The move seems to be a response to pressure from Germany for stronger western European action on the crisis. Other WEU and EC member states do not appear ready to back either the despatch of peacekeeping troops or early recognition of embattled Croatia's independence.

The decision to discuss an intervention force at talks in The Hague was announced after Lord Carrington, chairman of the EC peace conference, arrived in Yugoslavia for meetings with Mr Franjo Tudjman, president of Croatia, Mr Slobodan Milosevic, president of Serbia and General Veljko Kadijevic, the Yugoslav federal defence minister.

The moves came as some of the heaviest clashes in almost three months of fighting in Yugoslavia were taking place. Croatian forces used mortars and heavy artillery in battles with Serbian guerrillas and the Yugoslav army throughout the republic, taking the death toll since Saturday past 40.

Air raid sirens wailed twice as air force jets flew low over the Croatian capital Zagreb and an army general said he could not rule out that the city would be bombed.

The federal army vowed to take "decisive action" to raise the sieges round their barracks on the Adriatic coastline.

Croatian radio reported two federal air force jets had been shot down after they strayed into Hungarian airspace.

Mr Ante Markovic, Yugoslav prime minister, said his country was unable to solve the conflict alone and called on the EC and other international organisations to step up peace efforts. "Without foreign support, without the support of the EC, we are not capable of halting the war, nor are we capable of keeping it under control," he said.

Thursday's WEU meeting has been called after urgent pleading by the German government, in particular by Mr Hans-Dietrich Genscher, the German foreign minister, for the west Europeans to step up their intervention in the crisis.

In spite of superficial agreement on strategy, the debate within the EC has become increasingly divided between Germany, which sees Croatia as an embattled nation state fighting for survival, and Britain, France and the Netherlands which insist that the EC must be seen to be even-handed between Serbia and Croatia.

The decision to call a meeting of the WEU ministerial council appears to have been made by Mr Hans van den Broek, Dutch foreign minister, as host, and Mr Genscher, as chairman, on the spur of the moment yesterday afternoon. It was not mentioned when Mr Genscher rang Mr Douglas Hurd, the British foreign secretary, earlier in the day.

British officials reacted cautiously to the Dutch initiative, stressing that Britain was not committed to contributing to any peacekeeping force and had made no contingency plans. Mr John Major, the prime minister, "would have to think long and hard" before undertaking any such commitment, one official said. Another speculated that Mr van den Broek called the WEU meeting to oblige the Germans to consider the practical difficulties of such an intervention.

Swedish Christian Democrat leader Alf Svensson celebrates his party's first seats in parliament after 27 years of campaigning. Page 22

Soviet central bank 'to be scrapped'

By **Leyla Boulton** in Moscow

GOSBANK, the Soviet central bank, will soon be abolished and replaced by a banking council of central bank governors from the republics, the chairman of Russia's central bank said yesterday.

Mr Georgy Matiukhin said the council could start in November, or even at the end of next month. "This council must be created as urgently as possible," he said in an interview.

The plan represents another step towards the dismantling of centralised power structures, a process which has gathered pace since the failure of last month's coup. It would mean that Mr Viktor Gerashchenko, the Gosbank chairman who is the Soviet Union's best-known banker abroad, would be deprived of his present job.

The council would gather the chairmen of the central banks of 12 republics as full members with voting rights, plus the three now independent Baltic republics which were seeking associate membership, Mr Matiukhin said.

He said Latvia, Lithuania and Estonia had asked not to have voting rights but had volunteered to submit to all the council's decisions.

A plan for a similar council was already envisaged in Soviet banking legislation passed in December but progress was held up by political wrangling which preceded the abortive coup.

The council would have an executive body responsible for enforcing its decisions, headed by an executive director, he said.

Although Mr Gerashchenko was co-operating with the republic central banks on setting up the council, Mr Matiukhin said he did not know whether he would take over the new job.

Mr Matiukhin said a working group chaired by his deputy and that of Mr Gerashchenko would finalise proposals on October 15.

Republics were still divided on how decisions should be taken, even though they all agreed the system would be unworkable if decisions required unanimous approval.

In the meantime, he revealed that all 15 central bank governors would go for a week's training course at Bank of France headquarters in Paris from November 17 to 28.

Anthony Robinson writes: Mr Gerashchenko declined to comment on his future plans in

Continued on Page 22

Food output falling, Page 2

Hanson set to win Beazer with £351m takeover bid

By **Roland Rudd and Jane Fuller** in London

HANSON, the UK-based conglomerate, yesterday made a recommended £351.4m ($609m) takeover offer for Beazer, Britain's fourth largest housebuilder and the owner of Koppers, the second biggest US aggregates producer.

The bid brought to a halt Beazer's planned flotation of CHB Group, comprising its operations in the UK and elsewhere in Europe. The pathfinder prospectus was published only last week.

The price is little more than a third of the $1.72bn Beazer paid in 1988 to take over Koppers. Although Beazer sold peripheral businesses, the Koppers deal remained the main source of its £1bn-plus debt.

Shares in Imperial Chemical Industries, in which Hanson bought a 2.8 per cent stake in May, fell by 37p to 1267p yesterday because of market speculation Hanson was no longer interested in making a bid.

But a senior Hanson adviser said: "Lord Hanson [the company's chairman] was disappointed to hear that ICI's shares had fallen. The Beazer deal does not affect any major transactions under review."

Although Lord Hanson first put the deal to Mr Brian Beazer, chief executive of Beazer, on Friday night, his advisers said he planned the takeover more than three months ago.

If the deal is accepted by Beazer's shareholders, Mr Beazer will remain in charge of the US aggregates business for Hanson. Hanson will inherit Beazer's £1.2bn debt pushing its overall debt close to £9bn, against cash of £7.6bn.

Lord Hanson's advisers said the debt could be easily absorbed for two main reasons:
- Hanson would be in a much stronger position to negotiate new borrowing terms. Mr Martin Taylor, Hanson's vice chairman, said: "We hope there will be a meeting of minds with Beazer's bankers on what we both wish to achieve."
- Although Hanson said it planned to extend Beazer's British operations, a break-up of CHB would be likely to realise significantly more than the £500m Beazer hoped to get from the flotation.

Hanson's offer values each Beazer share at 123½p - 90p in cash or loan notes and one warrant. Each warrant gives the right to subscribe for a Hanson ordinary share at 300p until September 30 1997.

The bid is 12.6 times Beazer's fully diluted earnings per share of 9.83p for the year to June 30, when pre-tax profits fell 43 per cent to £60.6m.

The offer price compares with Beazer's close of 83p on Friday, giving it a market value of £236m after a 15 per cent decline last week. Yesterday Beazer's shares, which were suspended until just after 2pm, closed at 115¼p.

The offer for each American depository share is 360p cash plus four warrants, equivalent to $8.56, a premium of 48.2 per cent to the price on on Friday.

Observer, Page 20; Lex, Page 22; Analysis, Page 23

CONTENTS

Sweden: The Left feels the chill of political change in Europe 3
Hong Kong: Victorious democrats face a stormy start to power sharing 4
Australia: The "lucky country" tries to become the "clever country" 18
Editorial Comment: Hong Kong; UK prisons; the City 20
Israel: The US's uncompromising stand on loan guarantees has shocked Israel 21
Personal Computers: The PC market is looking for regeneration .... Survey, section III

US isolationist's challenge to the vision of a new world order

Patrick Buchanan has a slogan: "America First". Behind his neo-isolationist banner march a mixed band of supporters, united by their antipathy to the internationalist vision of US president *George Bush*
Page 21

International	2-6	Arts Guide + Reviews	19	Gold	34	Stock Markets	
Companies	24-29	Commodities	34	Intl. Capital Markets	29	-World	43
America	6	Crossword	42	Letters	20	-London	35
Companies	26	Currencies & money	42	Lex	22	Technology	18
World Trade	6	Editorial Comment	20	Management	15	Unit Trusts	38-41
Britain	10,12	Financial Futures	42	Observer	20	World Index	46
Companies	30-33						

MARKETS

STERLING
New York lunchtime:
$1.7375
London:
$1.7395 (1.732)
DM2.91 (2.9175)
FFr9.915 (9.9325)
SFr2.5425 (2.5575)
Y232.25 (232.0)
£ index 91.0 (91.1)

GOLD
New York: Comex Dec
$348.3 (348.2)
London:
$345.65 (344.2)

N SEA OIL (Argus)
Brent Oct
$20.425 (-0.20)

Chief price changes yesterday: Page 23

DOLLAR
New York lunchtime:
DM1.67515
FFr5.704
SFr1.4635
Y133.77
London:
DM1.6735 (1.684)
FFr5.7 (5.735)
SFr1.462 (1.476)
Y133.55 (133.9)
$ index 64.7 (64.8)
Tokyo close: Y134.32

US lunchtime rates
Fed Funds: $5\frac{3}{8}$%
3-mo Treasury Bills: 5.323%
Long Bond: $102\frac{3}{16}$
yield: 7.93%

STOCK INDICES
FT-SE 100:
2,606.0 (-19.8)
FT Ordinary:
2,051.0 (-16.8)
FT-A All-Share:
1,261.19 (-0.6%)
New York lunchtime:
DJ Ind. Av.
2,995.53 (+9.84)
S&P Comp
383.78 (+0.19)
Tokyo: *Nikkei*
23,134.43 (+604.23)

LONDON MONEY
3-month interbank:
$10\frac{3}{16}$% ($10\frac{1}{4}$)
Liffe long gilt future:
$96\frac{1}{16}$ ($96\frac{7}{32}$)

Radical reform of distribution and agriculture are promised

Food production falling by 12%

By John Lloyd in Moscow

SOVIET food production is falling at an annual rate of 12 per cent, causing a "very dangerous situation", Mr Yuri Luzhkov, chief executive of Moscow and one of the four-man Committee for the Management of the National Economy, said yesterday.

Mr Luzhkov, giving a report on the food situation to the second full meeting of the State Council – which unites the leaders of the republics with President Mikhail Gorbachev – said production had dropped by 8.5 per cent in the first eight months of the year, and that the fall was gathering speed.

Measures by the individual republics to address the situation had been ineffective, because they had not co-ordinated their actions, he said.

Mr Ivan Silayev, the committee's chairman and Russian prime minister, said a joint statement on food production, agreed with the republican representatives on the committee, would be issued in the next 2-3 days. Urgent measures to ensure the provision of food to the population, and to push through radical reform in the agricultural sector, would be agreed by the end of the month. Mr Silayev announced last week that he would resign as committee chairman but the matter was not mentioned yesterday.

The council, which continued meeting until late last night, is now the supreme executive body at Union level. It also considered yesterday a plan for an inter-republican economic agreement, presented by Mr Grigory Yavlinsky, a member of the committee and a radical economist, which would set up a banking union and a common currency and attempt to ensure a free flow of goods and services across what is becoming increasingly divided territories.

Mr Gorbachev said discussion of the agreement had revealed "a variety of approaches" – an indication that the Soviet president may be considering again trying to merge varying plans into one compromise. Mr Yavlinsky said that, while his proposal accepted the independence of each republic, the draft agreement laid down a common market as a means of pulling each of the states out of the common economic crisis.

The draft agreement sets out equal rights for all businesses in all the republics which sign the treaty. These include a common currency and a banking union with the powers of a federal reserve bank and a rapid transition to free prices for most products, as well as a common labour market which would include an end to the *propiska* system under which each citizen needs a permit to move residence.

Thousands of Kiev residents and representatives from other regions in the republic gather in support of Ukraine's Act of Independence, proclaimed by parliament

Kazakhstan pledges to keep N-weapons

MR Nursultan Nazarbayev, president of Kazakhstan, has given the first sign that republics other than Russia wish to retain nuclear weapons on their territories, writes John Lloyd.

In an interview with the US ABC television network Mr Nazarbayev said Kazakhstan would keep nuclear weapons and insist on joint control over their use.

"Kazakhstan has received nuclear weapons and should keep them in future. We cannot allow other republics, even the largest of them, to control nuclear weapons on our soil," he said in the interview on Sunday night.

His comments do not appear to indicate any intention to possess an independent nuclear force – only to share control with the Soviet, or Russian, authorities.

Mr Boris Yeltsin, the Russian president, has said Russia is willing to take all nuclear weapons on to its territory – a stance which is beginning to raise fears among its neighbours.

In remarks yesterday during a joint news conference with Mr James Baker, US secretary of state, Mr Nazarbayev said the USSR should have a single system of defence, but emphasised that nuclear missiles should be under the collective control of all republics.

The remarks represent a shift of position by the Kazakh president, who had said he wished the republic to be a nuclear-free zone, and has banned nuclear testing. They prompt fears that Ukraine – whose present position is that it, too, wishes to be a nuclear-free zone – will feel impelled to follow suit.

Russian mayor launches appeal for EC food aid

By David Buchan in Brussels

THE European Commission received its first separate request for food aid from an individual Soviet city yesterday, just as Mr Jaques Delors, the Commission president, was extolling the virtues of EC-style economic and political integration to a group of economy ministers from Soviet republics.

Mr Anatoly Sobchak, the mayor of St Petersburg (formerly Leningrad), sent Brussels a letter asking for 20,000 tonnes of butter, 15,000 tonnes of milk powder and 50,000 tonnes of meat to tide the Soviet Union's second largest city through the winter.

The Commission said St Petersburg's request appeared to be in addition to last week's call for Ecu5bn-Ecu6bn (£3.5bn-£4.2bn) worth of food aid which had ostensibly been made on behalf of all Soviet republics by Mr Ivan Silayev, the Russian prime minister, but which Ukrainian ministers subsequently told EC officials that they had not been consulted about.

Mr Yuri Lushkov, responsible for agriculture on the four-man Committee for the Management of the Economy which is headed by Mr Silayev, is due in Brussels later this week to justify the food aid request to the Commission.

EC officials say they want to know whether the plea for 5.5m tonnes of grain and large quantities of meat, to be delivered over the next nine months, takes account of bilateral barter deals already made by Moscow, and how the request to the EC tallies with a similar plea to Mr John Major, British premier, who is presiding over Group of Seven studies on Soviet aid.

Mr Delors, meanwhile, cautioned the republic ministers not to expect too much in the way of aid from the EC, whose assistance was being sought by numerous countries. By contrast, Prof Jeffrey Sachs, a Harvard economist and adviser to east European governments, called yesterday in Brussels for "generous amounts of western aid on strict conditions" for Soviet republics, beginning with Russia and Ukraine.

G7 ministers back technical assistance

By Andrew Fisher in Dresden

DEPUTY finance ministers from the Group of Seven industrialised countries have suggested G7 finance ministers should get together before the IMF meeting in Bangkok next month to discuss aid to the Soviet Union.

Officials said the delegates, who met at the weekend in Dresden, also suggested that G7 aid should be primarily technical, rather than financial.

The US is believed to favour direct dealings with individual Soviet republics, rather than the central government in Moscow. Mr Nicholas Brady, US Treasury secretary, has said he favours the attendance in Bangkok of Soviet representatives to discuss the economic situation in the Soviet Union.

● Western industrialised countries must lift trade barriers to goods from east Europe in the interests of both sides, Mr Hans Tietmeyer, deputy president of Germany's Bundesbank, said yesterday.

"We have to do more than we have so far to remove trade barriers," he said after chairing a meeting of the OECD's Working Party Three, which monitors world economic and exchange rate trends.

Mr Tietmeyer said the OECD committee, on which there was broad agreement on the trade issue, did not deal specifically with the question of direct assistance to the Soviet Union.

NEWS IN BRIEF

Georgian opposition tells president to quit

MORE than 10,000 Georgians demanded the resignation of President Zviad Gamsakhurdia yesterday at a rally of the newly united opposition in the capital of the Soviet republic, Reuter reports from Tbilisi.

Mr Nodar Natadze, leader of the People's Front, won applause from the crowd, one of the largest seen in Tbilisi, when he declared: "Today's meeting is the start of the movement which will lead to victory, to the removal of the president."

Leaders of more than 12 opposition groups took turns to address the flag-waving crowd from a platform in Republic Square, Tbilisi's equivalent of Moscow's Red Square.

Mr Tengiz Sigua, the former prime minister, who resigned last month, made a dramatic arrival at the square surrounded by nervous national guardsmen carrying machine-guns and pistols.

Walesa snubs Landsbergis

Mr Lech Walesa, Poland's president, yesterday snubbed President Vytautas Landsbergis of Lithuania by failing to meet him on his way through Warsaw to the US, writes Christopher Bobinski in Warsaw.

Relations between the two countries have been strained by Lithuania's banning of local councils accused of collaborating with the Soviets in areas inhabited by Lithuania's 300,000-strong Polish minority.

Estonia bank chief to resign

Mr Rein Otsafson, president of the Bank of Estonia, said yesterday he had submitted his resignation in protest at a new law which would allow foreign banks to operate in Estonia, Reuter reports from Tallinn.

Mr Otsafson said he supported the principle of involving foreign capital in the newly independent republic but said Estonia's banking system was too weak.

Heavy losses in Azerbaijan clashes

Azerbaijani paramilitary forces clashed with Armenian militants near the disputed region of Nagorno-Karabakh, with heavy losses on both sides, according to news reports from the Transcaucasus yesterday, Reuter reports from Moscow.

The independent Interfax news agency cited Armenian officials as saying 14 Azerbaijanis were killed and 30 injured in fighting close to the Armenian-populated village of Verishen. A report from the Azerbaijani news agency Turan said five Azerbaijani policemen and two civilians were killed in artillery battles near the disputed border. Turan, quoting the Azerbaijani Interior Ministry, put Armenian losses at more than 20.

Pankin to visit Stockholm

Mr Boris Pankin, Soviet foreign minister, will visit Sweden today to study the country's social and economic system, his spokesman said yesterday, Reuter reports from Moscow.

An official said Mr Pankin would spend two days in Stockholm "to draw the attention of Soviet public opinion to the Swedish experience in economic and political structures".

French premier seeks to curb rise in jobless

Cresson unveils plan to boost small businesses

By William Dawkins in Paris

MRS Edith Cresson, the French prime minister, yesterday unveiled a package of tax breaks and investment incentives for small business, part of efforts to curb unemployment, one of the government's biggest headaches.

The main points of the FFr12bn (£1.2bn) scheme, presented at a meeting of France's main small business organisation in Bordeaux, include:

- A reduction in corporation tax for all businesses.
- The introduction for the first time of tax deductions for small companies raising new capital.
- More state subsidised loans at lower interest rates and steps to make it cheaper for small businesses to incorporate as limited liability companies.

The move recalls the small business incentives launched by the UK in the 1980s, also an attempt to create jobs. Government officials said it was the first stage in a French industrial policy programme which would include proposals to stimulate professional training and the announcement of candidates for partial privatisation, to be tabled by the end of the year.

France's twin rates of corporation tax – 34 per cent on retained earnings and 42 per cent on distributed profits – are to converge on the lower rate. Small businesses will pay 33.3 per cent next year, while all companies will be taxed at 34 per cent from 1993.

This will cost the treasury FFr6.2bn next year, but it hopes to get most of that back by raising the tax on companies' financial investment gains from 25 per cent to 33.3 per cent.

The main innovation would allow small companies to write off against corporation tax a quarter of the value of a capital increase, on condition that the fresh capital is worth at least a quarter of the existing equity.

This contrasts with incentives like Britain's Business Expansion Scheme, where the tax break goes to investors rather than companies. The French government wants to ensure businesses receive the full benefit of the tax incentives, said an official.

- The French annual inflation rate fell to around 3 per cent last month, from 3.4 per cent in July, according to provisional figures released yesterday by Insee, the state statistics body.

The monthly rate slowed to between 0.2 per cent and 0.3 per cent in August, as against 0.4 per cent in the previous month, so continuing to widen the gap against the higher German rate. French consumer demand traditionally slows in August encourgaing price stability.

Officials say the economy also had to absorb a series of public service prices rises in the same month.

Sweden's left feels the chill wind of change

Robert Taylor on a rare electoral defeat for the Social Democrats

Moderate party leader Carl Bildt (left) with Liberal party chief Bengt Westerberg

MR Carl Bildt, Sweden's next prime minister and Moderate party leader, yesterday summed up the result of the general election on Sunday as a "massive mandate for change and the worst defeat for the left we have ever seen in this country since universal suffrage".

As he explained: "The winds of political change blowing through Europe have finally hit Sweden".

The defeat of the country's Social Democrats is certainly historic; the party has governed Sweden since September 1932 except for a brief period between 1976 and 1982.

"We Moderates were dissidents on the edge of the country's Social Democratic consensus in the 1970s", explains Mr Bildt, whose party was then a small element of the non-Socialist bloc.

This time it is different. Yesterday, Mr Ingvar Carlsson, the Social Democrat prime minister, offered his resignation and Mr Bildt was asked to form the next government.

Over the past three years the Social Democrats have been forced to carry out market-oriented policies under pressure for more individual freedom and the internationalisation of the economy.

"We set the agenda for Swedish politics in the 1980s and we will do so for the new decade", declared Mr Bildt.

The reasons for the demise of the Social Democrats are complex. Mr Carlsson blames his government's 1990-1991 tax reforms, which eased the tax burden on above-average income earners but did little to reward its traditional support among manual workers.

The deep recession also cost the party votes as unemployment has risen while inflation last year ate into living standards.

The Social Democrats promised nothing new during the campaign and made a virtue out of their financial stringency, which was admirable but did little to attract lost voters. Mr Carlsson also failed to trumpet his achievements in office, perhaps worrying that his market-oriented economic policies had upset the party faithful.

Many voters were certainly bewildered by the Social Democrats' recent change of ideology. The party seemed to have abandoned the old faith and replaced it with economic liberal ideas which were never explained clearly to their supporters.

But there are also more fundamental reasons for the defeat.

Social Democracy lost heavily among many younger voters, to whom the party is synonymous with a benevolent but bureaucratic state hostile to individual freedom.

Its ideological exhaustion combined with growing doubts about the administrative competence of the Carlsson government made it an uphill struggle for the party, though it recovered 10 perecentage points in the polls over the past six months.

The Social Democrats were not the only losers in the election. Both the middle-of-the-road Liberal and Centre parties – the traditional mainstays of the non-Socialist bloc - also suffered.

For the Centre, only 20 years ago the largest of the non-Socialist parties, it was the worst result they have suffered. Mr Olof Johansson, the party's leader, said the voters punished them for co-operating with the last Social Democratic government.

But the Centre is also suffering from an identity crisis with its own supporters, who are unsure of what it stands for. Mr Johansson gave the impression that his party was ready to serve in a non-Socialist coalition but only to uphold basically Social Democratic ideas.

It seems now unlikely to join a Bildt-led government.

The Liberals' performance was not as bad as their 1982 debacle. But they suffered because of their earlier readiness to join the Social Democrats in carrying through unpopular economic measures in the national interest.

The arrival of the populist New Democracy party in parliament is a sensational development. The party, led by a colourful duo - Count Ian Wachmeister and Mr Bert Karlsson, a funfair impressario – was formed about six months ago.

Its message of free enterprise, low taxes and cheaper alcohol expressed in an entertaining style found a positive response among a minority of Swedes.

The conservative Christian Democrats were also winners, entering parliament for the first time since their formation in 1964.

Although the non-Socialist parties hold 196 seats in the 349-strong parliament they will not all work together because of New Democracy, which most of the others wish to shun.

The outlook is therefore chaotic. Mr Bildt may find it possible to form only a one or two party non-Socialist government. But this could easily fall apart and precipitate a government crisis.

For the moment it seems unlikely any of the small non-Socialist parties would co-operate with the still large Social Democrat minority. But such an option may eventually look attractive.

Swedish politics have reached the end of the Social Democratic era. But what comes next is still unclear, although the country could move more into line with its neighbours Norway and Denmark, who have wrestled with a fragmented political scene since the early 1970s when they first experienced the slow decay of Social Democracy but failed to replace it with a coherent non-Socialist alternative.

SWEDISH POLITICAL LINE-UP

Party	Votes % 1991	Votes % 1988	Change	Seats won 1991	Seats won 1988
Social Democrats	37.6	43.2	−5.6	137	156
Left Party	4.5	5.9	−1.4	16	21
Moderates	21.9	18.3	+3.6	80	66
Liberals	9.2	12.2	−3.0	34	44
Centre	8.4	11.3	−2.9	31	42
Christian Democrats	7.0	2.9	+4.1	26	–
New Democracy	6.7	–	–	25	–
Greens	3.4	5.5	−2.1	–	20
Turnout	85.0	86.0	−1.0		

The Greens leave Parliament for polling less than the 4 per cent threshold

Markus Wolf: wants to live in Germany

Former spy master requests asylum

MR Markus Wolf, East Germany's former master spy, yesterday asked for political asylum in Austria, embarrassing both the Bonn and Vienna governments, writes Christopher Parkes in Bonn.

Flustered Austrian Interior Ministry officials, who have in the past promised they would offer no hiding place for ex-DDR Stasi (secret police) members, immediately promised a "prompt and speedy" hearing of Mr Wolf's appeal.

The Bonn government declared it was in the urgent interests of justice that Mr Wolf, who has been in the Soviet Union for more than a year, should be brought before a German court.

However, Vienna made it clear that espionage did not count as an extraditable offence, putting German security forces in a quandary. Despite assurances of speedy treatment, Mr Wolf's hearing, which has yet to be fixed, could take several weeks.

Officials said the best hope of catching the 68-year-old Mr Wolf lay in his being refused asylum and being thrown out of Austria. It was not clear whether a deportee from Austria was allowed to choose his or her destination.

The Soviet Union, dependent on western aid and goodwill, is unlikely to offer him safe haven. Mr Wolf declared in a recent magazine interview that "my time in Moscow is coming to an end. I want to live in Germany."

The super-spy, who flew into Vienna last week under his own name, was picked up by the police on Sunday and later released.

Treuhand wants EC aid to reshape ailing shipyards

By Christopher Parkes in Bonn

THE Treuhand privatisation agency has asked the Bonn government to seek urgent European Commission approval for plans to restructure east Germany's crumbling shipbuilding industry.

Despite rationalisation measures already taken, the Treuhand's governing council says the "most far-reaching support possible" is still necessary if the Baltic yards are to be sold either to management or outside investors.

The industry ministry, which is to be briefed this week on the condition of the shipyards and the aid they need, is expected to contact Brussels early next month.

The appeal suggests that, as with other core industries in the east, the Treuhand is having difficulties finding bidders prepared to buy into neglected heavy industries and bear the costs of restructuring. It indicates concern in the agency that the scale and type of subsidies needed could breach EC regulations.

Uncertainties over developments further east are also deterring bidders: three-quarters of the yards' output traditionally goes to the Soviet Union.

There is more at stake than the future of Deutsche Maschinen-und Schiffbau (DMS), the umbrella concern embracing 24 formerly state-owned enterprises.

According to Mr Bernd Heydrich, leader of the DMS works council, shipbuilding is the backbone of the economy in the north-eastern state of Mecklenburg-Vorpommern and its loss will spell the death of all the state's industry.

West German shipbuilders have been through a painful shake-out since 1975, halving capacity from 1.5m gross tons and reducing their workforce from 78,000 to less than 30,000. They seem to have no stomach for going through the process again with DMS, which, despite sacking more than 10,000 in the past year, still employs 40,000.

The Treuhand has also run into trouble with plans to sell Narva, the Berlin-based electric lamp maker, and confirmed the closure of the Robotron-Sömmerda office equipment company. An agreement, announced in August, to sell Narva to a consortium led by Klingsbeil, a west Berlin property company, has been cancelled following disagreements over price.

Narva is now back on the market, but liquidation "is not ruled out," according to Treuhand.

The closure of Robotron, scheduled for December 31, will mean the loss of a further 9,000 jobs in the central state of Thüringia.

WHOLESALE prices in west Germany fell in August for the first time in four months, offering more comfort to government and Bundesbank authorities eager to clamp down on inflation, writes Christopher Parkes.

Thanks mainly to reductions in prices for vegetables, cereals, fuel and heating oil, the wholesale prices index was 0.9 per cent lower than in July. The year-on-year figure was 1.3 per cent higher.

- **West German companies are investing more slowly in east Germany than initially planned, a survey by the Ifo economic research institute shows, Reuter reports from Munich.**

Ifo said west Germany's manufacturing industry was investing only DM9bn (£3bn) this year, down from the DM10bn initially forecast. Instead, it was raising its investment plans for 1992 by DM1bn to DM16bn.

Basque governing coalition collapses

By Peter Bruce in Madrid

THREE WEEKS of secessionist tension in Spain, inspired by events in the Soviet Union and Yugoslavia, claimed a first institutional victim yesterday when the all-nationalist regional coalition government of the Basque country collapsed.

Mr Jose Antonio Ardanza, leader of the Basque government, said he had expelled one of the three parties in the coalition, Eusko Alkartasuna (EA), for publicly supporting motions calling for total Basque independence in the region's town councils.

The motions are being put by Herri Batasuna, which functions as an informal political wing of Eta, the armed Basque secessionist movement.

The regional government's collapse leaves it without a parliamentary majority and means Mr Ardanza's Basque nationalist party (PNV), the region's biggest, will probably form a new coalition with the Basque affiliate of Spain's ruling Socialist party, the second largest in the region.

Although the news will cheer the socialist government in Madrid, there is likely to be some concern at the break-up of the coalition. The PNV is a conservative party and it was assumed that by bringing the more radical EA and the left wing Euskadiko Ezkerra (EE) into government, their destabilising influence in the region could be mitigated.

But regional politics in Spain are opportunist and the intensity of national sentiment in both the Basque country and Catalonia since the Baltic republics began winning recognition from western nations appears to have proved too great for the EA to resist.

A number of Basque councils have already passed motions calling for independence, with the support of Herri Batasuna and the EA. Such votes occur periodically in the region and are unlikely to have any immediate impact on its status.

But they put added pressure on the PNV, which has constantly to play to nationalist sympathy by claiming the region's right to be independent if it chooses, while ensuring it does not cut itself off from the economic lifeline represented by Spain.

The formation of a new Basque government with socialist participation would provide Mr Felipe González, Spain's prime minister, with an opportunity to demonstrate Madrid's commitment to devolving powers to the country's autonomous regions while preventing more strident nationalists from claiming credit for quicker devolution.

The Financial Times (Europe) Ltd
Published by The Financial Times (Europe) Ltd., Frankfurt Branch, (Guiollettstrasse 54, 6000 Frankfurt-am-Main 1. Telephone 069-75980; Fax 069-722677; Telex 416193 represented by E. Hugo, Frankfurt/Main, and, as members of the Board of Directors, R.A.F. McClean, G.T.S. Damer, A.C. Miller, D.E.P. Palmer, London. Printer: Druck Vertrieb und Marketing GmbH, Frankfurt. Responsible editor: Richard Lambert, Financial Times, Number One Southwark Bridge, London SE1 9HL. The Financial Times Ltd, 1991.

Registered office: Number One, Southwark Bridge, London SE1 9HL. Company incorporated under the laws of England and Wales. Chairman: D.E.P. Palmer. Main shareholders: The Financial Times Limited, The Financial News Limited. Publishing director: J. Rolley, 168 Rue de Rivoli, 75044 Paris Cedex 01. Tel: (01) 4297 0621; Fax: (01) 4297 0629. Editor: Richard Lambert. Printer: SA Nord Eclair, 15/21 Rue de Caire, 59100 Roubaix Cedex 1. ISSN: ISSN 1148-2753. Commission Paritaire No 67808D.

Financial Times (Scandinavia) Vimmelskaftet 42A, DK-1161 Copenhagen-K, Denmark. Telephone (33) 13 44 41. Fax (33) 935335.

INTERNATIONAL NEWS

Democrat victory ruffles Hong Kong feathers

Angus Foster assesses the implications of the landslide election win by anti-Beijing liberals

MR Martin Lee's United Democrats may have dominated Sunday's election in Hong Kong, but power remains far from their grasp. Nevertheless, the Democrats' sweeping victory has left them with everything to play for as the handover to China in 1997 comes ever closer.

The Democrats and their allies won 16 of the 18 directly elected seats. But another 21, largely representing pro-business and pro-China positions outside Mr Lee's liberal grouping, were indirectly elected by professional and trade groups, while the governor will appoint a further 17 councillors and four officials in the next two weeks. These appointments will decide the balance of power in the 60-seat Legislative Council.

Mr Lee said the government should appoint liberal-minded people to the council in proportion to the liberal camp's success in the direct polls. This would effectively turn the Democrats into the ruling party.

He warned that if the government uses its appointees to counter the Democrats, this will only further undermine its credibility. And if liberal appointments are not made, he said he may take the matter to UK premier Mr John Major.

"We have now got the mandate of the people. We have been elected by the Hong Kong people on our platforms and we have now got to implement them," Mr Lee said.

The government is likely to view this demand as undermining its authority. In the past the council has been something of a rubber stamp because it was filled with government appointees. As well as passing legislation, it has the power to approve or block government expenditure.

Observers believe the government will not risk allowing the Democrats a wide enough power base to have an effective veto over spending, and will therefore try to compromise, perhaps by appointing a couple of token liberals to the council. The government also seems prepared, if necessary, to stand up to the Democrats.

As the size of the Democrats' victory sunk in yesterday, there were signs the party is to become more aggressive. Before the elections, Mr Lee wanted representatives from successful parties to be offered seats on the Executive Council (Exco), the government's highest policy making body. Now, Mr Lee talks of being given a majority of the 10 seats on Exco, which would be unthinkable for the government.

The government says it will consider appointing directly elected politicians to Exco as long as they adhere to rules about collective responsibility and confidentiality, as in Britain.

The Democrats argue it is impossible for them, as elected representatives of Hong Kong, to follow the government line if they think it is against the interests of Hong Kong. For example, the Democrats want to lower the voting age to 18. If Exco voted against this, Democrat members would have to defend the decision in public.

But the thorniest problems involve Hong Kong's relations with China and demands for more democracy. One of the Democrats' campaign pledges was to push for half the council to be directly elected in the next elections in 1995, instead of one third as agreed between Britain and China. The Democrats also called for the Basic Law, Hong Kong's mini-constitution after 1997, to be made more democratic.

The British and Hong Kong governments are working towards a smooth transition in 1997 and do not want to anger Beijing by pushing for more democracy.

THE VICTOR: Martin Lee celebrates with supporters as the results come in

All three governments, as well as business leaders in Hong Kong, are likely to try to undermine the Democrats' calls by pointing to the direct elections' lower than expected voter turnout of 40 per cent as suggesting Hong Kong is unsure about faster political reform, a suggestion strongly denied by Mr Lee.

The Democrats four most popular candidates, including Mr Lee, are closely linked to the Hong Kong Alliance. This is a group of activists who attacked China for the 1989 Tiananmen Square killings and helped dissidents escape. The Alliance is detested by Beijing which branded its members subversive.

But the strength of public support for the four is now likely to make the Democrats more outspoken in their criticism of China.

"Until Sunday, no one could claim to represent the interests of the Hong Kong people. Now, we represent them and it is only right that Britain and China should listen to the views of the people of Hong Kong and their elected representatives." Mr Lee said.

Indian states emboldened by Soviet break-up

By David Housego in New Delhi

DISINTEGRATION of the Soviet Union is giving weight to pressure from states in the Indian union for more autonomy.

Two public statements yesterday reflected the bolder demands triggered by regional revolts within the Soviet Union. Mr Biju Patnaik, chief minister of Orissa, yesterday called for a devolution of power that would leave the central government with responsibility for only defence and the currency.

Mr Patnaik, a long-time critic of excessive centralisation, said he did not want states to have their own armies. But he said foreign policy, on which hinged issues of war and peace, should be framed collectively between chief ministers and the union government.

Calling on the central government to return to the states responsibilities for economic development and internal security it had assumed at independence, he said: "There is now no escape from transferring those powers to the states if India is to remain cohesive."

Reflecting similar views, Captain Amarinda Singh, one of the moderate Sikh leaders in the Punjab, also yesterday called for a revision of the constitution to increase state autonomy.

He said that "the constitution must be amended to change our system of government into a federal structure with complete decentralisation of all subjects other than those most essential to any nation such as defence, external affairs, railways etc."

The statements came as parliament took up a bill to postpone elections due in Punjab this month and as the army fanned out in the northeastern state of Assam to quell an Assamese separatist movement.

In the Punjab elections are again being postponed because of government fears that state elections could result in the Sikh separatist movement gaining a majority in the state assembly.

In Assam troops were called out over the weekend after the banned United Liberation Front of Asom launched a new offensive.

Mr Hiteswar Saikia, chief minister of Assam, a big producer of tea and oil, told the state parliament militants had killed 164 people in the 2½ months since he had been in power, and kidnapped 252 more.

A further reason why state governments have become more assertive is that they expect less funds from the centre as a result of the union's acute budgetary problems.

Sheikh Abbas Musawi

Musawi says it is up to Israel to make the next step

Hizbollah goes back on hostage release

SHEIKH Abbas Musawi, the leader of the pro-Iranian Hizbollah movement, yesterday backtracked on a series of predictions that a western hostage was about to be freed in Beirut.

Israel's release of 51 Lebanese prisoners and nine bodies last week was "an incomplete step" and it was still up to Israel to make the next gesture, he said, Lara Marlowe reports from Beirut.

The setback appears to have been caused by one or a combination of factors: Hizbollah's insistence on freedom for Sheikh Abdul-Karim Obeid, who was kidnapped by Israeli troops in July 1989; the multiplicity of parties involved, with one negotiator in Beirut saying he deals with at least 60 different interlocutors; a hitch over payment to the kidnappers by a party from a third country friendly to the US; and the kidnappers' desire to exclude the Lebanese government from involvement in hostage releases.

All statements by pro-Iranian Shia leaders have emphasised the need to free Sheikh Obeid.

In a press conference at his south Beirut office yesterday Sheikh Musawi twice alluded to payment, saying that "every piece of information related to (Israelis missing in Lebanon) has a price" and that some of those who had released westerners in the past "got nothing in return" but "could release (others) for something."

The kidnappers may also be attempting to curtail Lebanese government involvement in the issue.

Mr Fares Boueiz, the Lebanese foreign minister, discussed hostages with his Iranian counterpart during a three-day visit to Tehran which ends today. Radical Shia Moslems are not represented in Lebanon's post-war government and hold little respect for President Elias Hrawi's cabinet.

NZ minister defends monetarist policies

By Stephanie Gray

MS Ruth Richardson, the New Zealand finance minister, yesterday defended her government's tough monetarist policies which have seen the dismantling of the welfare state and a slide in popularity.

Speaking after an address to the UK Institute of Directors in London, Ms Richardson expressed confidence that her National party government's radical economic reforms would see a political "pay-off" by the time it faces re-election in 1993. Three-year electoral terms have often undone policies pursued by both main New Zealand parties.

"We have in the past 10 months put into place the fundamental economic reforms. We have two years and two months to get the politics right," she said.

Opinion polls show government support has fallen to 20 per cent from 49 per cent when it was swept to power last October.

However, yesterday Mr Jim Bolger, the prime minister, announced what was being seen as his finance minister's first significant defeat when he pledged to take a "moderate, commonsense approach" to cutting tariffs.

He said general tariffs would be reduced by a third between 1993 and 1996. There would be a further orderly reduction after 1996 at a rate which would be decided in 1994.

Analysts have portrayed the debate over the speed of tariff cuts as a key one between Ms Richardson and her opponents within the government who want to take a less stringent tone. Earlier this month, Ms Richardson described those who wanted slower tariff reform as "industrial doom-makers".

New Zealand tariffs range from about 16 per cent to 29 per cent on products where there are local manufacturers.

In her speech, the minister said last May's labour reforms had taken the country from one which had "probably the OECD's most moribund labour law to one of its most enlightened". Every employee now had the right to choose his or her bargaining agent and there were no special privileges for unions. As a result, the New Zealand labour market was much better placed to "develop in a constructive and enterprising fashion". That in turn improved the climate for job security and higher incomes.

She said a better balance between a monetary and fiscal policy had contributed to lower interest rates and inflation.

Chinese human rights rebuff for Andreotti

JIANG ZEMIN, the Chinese Communist party chief, yesterday rebuffed Mr Giulio Andreotti, the Italian prime minister, over human rights by saying China's record had contributed to world peace, Reuter reports from Beijing.

Mr Andreotti had expressed Italy's concern over human rights in a meeting with Jiang, saying the issue was of concern to all.

Mr Andreotti is on a six-day visit to China, the first by an Italian leader since relations between the two countries were disrupted by Beijing's 1989 crackdown on dissent.

Jiang told him that China's record on providing enough food and clothing for its 1.1bn people constituted observance of human rights. The Chinese foreign ministry quoted him as saying: "Human rights are concrete, not abstract. For a large country like China, what is foremost is to ensure the right of so many people to existence and development."

Mr Andreotti's visit was the latest sign that Beijing is emerging from diplomatic isolation after the attack on Tiananmen square demonstrators.

Overwhelming victory in Mauritius

MAURITIUS'S ruling coalition yesterday consolidated a landslide victory, capturing 57 of the 62 parliamentary seats at stake in Sunday's general election, Reuter reports from Port Louis.

Opposition candidates of the Labour Party/Parti Mauricien Social Democrate coalition won only three seats and the other two were taken by a small Rodrigues Island party.

Sir Anerood Jugnauth, the Mouvement Socialiste Militant/Mouvement Militant Mauricien prime minister, said its opponents "have been soundly trounced."

Premadasa wins a breathing space

By Mervyn de Silva in Colombo

SRI LANKA'S convoluted constitutional crisis has taken further puzzling turns with a ruling by Mr Sunil de Silva, the attorney-general, that an impeachment motion against President Ranasinghe Premadasa by the opposition and government MPs on August 27 had lapsed.

He said this was because it had not been placed on the parliamentary order paper before the session was adjourned three days later. Any attempt to revive it now would violate the constitution. Later Mr Haniffa Mohamed, the speaker, said the motion would go ahead regardless.

The attorney-general's ruling also maintains that the president is free to dissolve parliament at any time since the impeachment motion is no longer operative. With the sword over his head apparently removed, Mr Premadasa has thus for the moment regained control over his parliamentary group. Some of the dissidents who signed the impeachment motion are now protesting that they were "misled".

EUROPEAN NEWS

Turkey to speed up privatisation

By John Murray Brown in Ankara

THE Turkish government has announced plans to speed up its privatisation programme, selling minority shares in 27 companies, before the country goes to the polls in general elections on October 20.

The sale represents the first privatisation since the public participation administration (PPA), the state agency entrusted with selling state assets to the public, sold $7m (£4.1m) worth of shares in Tofas, Fiat's local joint venture, in June. This week, the shares of 11 state cement companies were also transfered to the PPA before being offered to the public in October.

The block sales – with tenders for the first 15 companies set to close on October 11 – come amid a legal wrangle over the transfer in 1989 of five state-owned cement companies to Ciments Français, the French cement group.

The case is still unresolved with the Prime Ministry to appeal against a Council of State decision annulling the sale on the grounds it contravened terms of a 1987 decree on privatisation which gave priority to domestic buyers.

However, members of the conservative opposition True Path (DYP) party, which filed that particular suit, has said it would also speed up privatisation to ease budget pressure.

The Social Democrats, the other main opposition party, remain more ambivalent about privatisation, a view which is likely to be hardened by press reports last week that the 200,000 people who have taken stakes in state owned companies have seen their investments lose TL824bn (£105m).

Poland's budget promised a smooth passage

By Christopher Bobinski in Warsaw

POLAND'S budget spending cuts for this year yesterday stood a better chance of winning a speedy passage through parliament after the government failed by 19 votes to win a two-thirds majority for special powers to bypass the legislature on the issue.

The government had argued that it needed such wide-ranging powers while the new parliament got into its stride and a new government was formed after the general elections on October 27.

However, after the vote on Saturday, parliamentary deputies of every political hue and persuasion rushed to declare willingness to approve the budget and speedy changes in pension laws the government wants. None want to be accused during the elections of acting irresponsibly.

Changes in banking laws tightening the central bank's supervisory powers will also be passed soon.

However, the vote also means that the government will not have a free hand to manage issues such as privatisation, changes in the administration or introducing charges for health care in the two months following the election as envisaged by the special powers act.

Mr Jan Krzysztof Bielecki's government accepted the rebuff calmly and expressed readiness to work with parliament in getting the legislation passed. The premier, who heads the Liberal Democratic Congress party, has managed to project an image of a man ready to take charge but hampered by opponents, thanks to his drive to win the special powers. This amounts to a valuable excuse in the election campaign for failing to improve the country's economic situation.

The plight of the budget is more serious than the government's August adjustments suggest – the deficit this year could go 3,000bn zloty (£157m) higher than the 24,000bn zloty figure provisionally agreed with the International Monetary Fund in August. Revenues could well drop by a further 10,000bn zloty past the projected 227,000bn zloty, while the absolute minimum for spending was set last week at 244bn zloty, or 7,000bn zloty less than the figure for outlays envisaged a month ago.

● The NBP, Poland's central bank yesterday lowered its base lending rate to an annual 40 per cent. The rate has been brought down step by step from 72 per cent in the first months of the year and reflects a drop in inflation. Retail prices are expected to rise by 2 per cent this month, or an annualised 27 per cent.

Hopes for EC-Efta zone deal

By David Buchan in Brussels

THE EC and the European Free Trade Association (Efta) have the political will to finish their protracted negotiations on a common economic zone next month, Mr Esko Aho, Finland's prime minister, said yesterday.

Mr Aho, whose country is the president of Efta, said after talks with senior EC Commission officials here that the break-up of the Soviet Union had made it all the more necessary for Efta and the EC to complete their talks on the European Economic Area (EEA). Such a zone of total free trade would take in the east European states and serve as the main economic element in the new Europe's political architecture, he said.

The Finnish premier said he had "good reason to believe" that the remaining EEA obstacles on fishing, transport and financial transfers would be settled in October. It would then be possible for Finland to start weighing the pros and cons of joining the Community. Mr Aho said some 80 per cent to 85 per cent of the (economic) substance of EC membership would be covered by the EEA negotiations.

But the Finnish government also wanted to see what sort of foreign and defence policy commitments the Twelve adopt in the political union treaty that they are expected to signed in December, Mr Aho said.

"Before catching the train, we want to know where it is going", he stressed. Finland's decision on EC membership would therefore not come before next year.

Greenpeace assails IAEA over Chernobyl aftermath

By Juliet Sychrava

GREENPEACE has accused the International Atomic Energy Authority of colluding with Soviet authorities to hide the impact of the Chernobyl 1986 nuclear accident.

In "The IAEA File", a document published to coincide with the IAEA's general conference which opened in Vienna yesterday, the environmental group attacked the IAEA, the United Nations agency set up to promote the peaceful use of atomic energy.

Calling for the radical reform of the IAEA, Greenpeace said the agency's mandate to promote nuclear energy conflicted with its responsibility as an international nuclear safety watchdog.

Greenpeace accused the IAEA of failing to respond to warnings that foreshadowed the Chernobyl accident, and of accepting uncritically Soviet explanations that the disaster was caused by human error.

But the IAEA said yesterday that although it had had difficulty obtaining full reports from the Soviet Union, the report on Chernobyl conducted under its auspices had drawn on the work of 200 experts from 23 countries, and was thorough and objective.

The Greenpeace report criticised the IAEA for refusing to tackle the problem of the transport of nuclear waste across national boundaries, and accused the agency of encouraging the dumping of radioactive wastes in Africa and other developing countries.

The IAEA yesterday vigorously denied the accusation. "We have never seen a single case of radioactive waste being shipped to Africa," a spokesman said.

The IAEA rejected as "absolutely outrageous" the claim by Greenpeace that during the Gulf war it had failed to prevent the Iraqi government from diverting enriched uranium from French and Soviet civilian nuclear programmes in Iraq for military purposes.

UK-Japan car accord under fire

THE European Consumers Association (BEUC) is taking legal action to seek an end to a "gentlemen's agreement" between the British and Japanese motor industries, which limits direct Japanese car imports to 11 per cent of the UK new car market, Kevin Done writes.

Mr Jim Murray, director of BEUC, said yesterday that British consumers faced "higher prices and restricted choice as a result of the voluntary agreement which severely restricts the number of Japanese cars sold in the UK".

The BEUC, along with the UK Consumers Association and the National Consumers Council, has lodged an official complaint with the European Commission.

It is seeking to initiate an investigation of the long-standing voluntary agreement in order to establish the existence of an infringement against EC competition rules.

AMERICAN NEWS

Treasury pledge to fight restrictive banking reform

By George Graham in Washington

THE US Treasury would rather abandon its efforts to repeal the Glass-Steagall Act, which has separated commercial and investment banking in the US since 1933, than accept the restrictive changes put forward by a congressional committee.

"We would rather have no Glass-Steagall repeal than bad Glass-Steagall repeal," Mr Robert Glauber, Treasury undersecretary for finance, said yesterday.

The House energy and commerce committee last week put forward a draft banking reform bill which would have repealed the Act, but would have put in its place a set of firewalls between banking and securities activities even fiercer than the current curbs.

The draft bill would completely bar commercial companies from owning banks, and would stop banks from offering a full range of financial services, including securities underwriting and insurance.

The Treasury argues that the restrictions would undermine its efforts to reform banking legislation in a way that will make US banks more competitive.

It has urged that commercial companies, which can already own thrift institutions and "non-banks" that provided virtually all the services of a bank, should also be allowed to buy full banks.

"A keystone of our approach is to try to get private capital into the banking industry. Our question is – why not let an IBM buy a bank if it wants to, so long as it can be done safely," Mr Glauber said.

"At a minimum, we think taxpayers should get a break by allowing commercial firms to buy into a failing bank," he urged, noting that several of the 33 thrift institutions owned by commercial firms would have had to be bailed out by the federal government, but for cash injections from their parent companies.

The Treasury complains that the energy and commerce committee draft would bring about "anti-competitive rollbacks" of the existing law.

It would prohibit, for example, banks from lending to a client and underwriting its securities at the same time, nor would a bank's trust and discretionary accounts be allowed to invest in securities it had underwritten, these being tougher restrictions than those now applied to stockbrokers which own "non-bank" subsidiaries.

Mr Glauber said the Treasury would seek to modify these restrictions in the committee stage. If unsuccessful, it would work then to obtain changes in debate on the floor of the House and, in a last resort, would try to have the whole segment of the bill dealing with these areas deleted.

Some banking industry groups complain, however, that the White House and Mr Nicholas Brady, treasury secretary, have failed in recent months to put enough of their weight behind a comprehensive banking reform.

Gates admits personal errors to CIA nomination hearing

By Lionel Barber in Washington

MR ROBERT Gates yesterday sought to defuse opposition to his nomination as the next director of the Central Intelligence Agency, offering an apology for his handling of the Iran-Contra affair.

On the first day of his confirmation hearings before the Senate Intelligence Committee, Mr Gates acknowledged that he had been slow to pursue the possibility of wrong-doing at high level, and chided himself for not having been more sceptical about accounts offered by the late William Casey, then his boss at the CIA.

Doubts about Mr Gates's role in the Iran-Contra affair – plus charges that he slanted intelligence on the Soviet Union to curry favour within the Reagan administration – have emerged as the main obstacles to his nomination.

However, prospects for his confirmation appeared to rise yesterday with the unexpected news that a federal judge had dismissed the long-running case against Mr Oliver North, the Marine lieutenant-colonel at the centre of the Iran-Contra affair.

Mr Lawrence Walsh, US special prosecutor, was forced reluctantly to seek dismissal of charges of perjury and obstruction of justice, after a key witness had admitted that his own statements at an earlier trial had been tainted.

Mr North said he was "totally exonerated". President George Bush, who has made the confirmation of Mr Gates a top priority, called it a "good decision."

Members of the Senate committee spent much of the morning criticising the CIA for faulty intelligence work on the Soviet Union and Iraq in the 1980s, particularly exaggeration of the Soviet threat and underestimation of economic weakeness.

News of the overturning of Mr North's convictions provoked suprise. Iran-Contra – specifically how much Mr Gates knew about the illegal diversion of funds from arms sales to Iran towards the Nicaraguan rebels – had promised to be one of the key issues in the hearings.

Mr Gates, 47, now one of the president's national security advisers, told the committee in prepared answers that he knew little about Iran-Contra until it had been made public in November 1986. At the time, Mr Gates was deputy CIA director. He said yesterday he only recalled flimsy warnings about the secret arms pipeline.

Mr Gates is expected to face tough questions about his knowledge of illegal arms transfers to Iraq, and the CIA's use of BCCI.

Wanted: troubleshooter on world stage

Michael Littlejohns studies form of would-be successors to the UN secretary-general

THE United Nations General Assembly will begin its 46th annual session today with a crucial question: Who will lead the UN after Mr Javier Pérez de Cuéllar's term as secretary-general has expired at the end of the year?

In a 137-item agenda that includes so many hardy perennials that the world political upheavals of the past year might never have happened, the selection of the next chief is a paramount issue.

The UN is enjoying unprecedented international approval, after its recent political successes and crucial role in the Gulf crisis, so the post is more attractive than ever for a host of diplomatic over-achievers.

The salary of $190,000 may be moderate but the perks include status equivalent of that of a head of government, as well as a large staff of aides and retainers, and a handsome riverside home in Manhattan.

At least a score of declared or potential candidates believe they have the stuff to handle what the late Dag Hammarskjöld, the second secretary-general, once called the most impossible job on earth. Half-a-dozen are from Africa, which has never filled the post and where there is belief that its time has come.

The most conspicuous African candidate is Mr Boutros Boutros Ghali, Egyptian deputy prime minister for foreign affairs. A Paris-educated Coptic Christian who accompanied the late President Sadat on his historic mission to Jerusalem and at Camp David, his French connection has drawn France's favour. But his age, 68, may count against him for such a strenuous job.

France – with the US, Britain, the Soviet Union and China – has veto power in the choice of the secretary-general, who must be endorsed by the Security Council and appointed by the General Assembly.

With a chance of a hot seat on the Hudson: (from left) Gyllenhammar, Ogata, Prince Sadruddin, Arias

The Big Five's foreign ministers will meet in New York soon. France, current president of the council, wants a quick decision, if possible before the end of October.

The Peruvian incumbent, reappointed in 1985, insists that he wants no new mandate. Still some delegates believe he might accept another year or two, enabling hin to deal with such unfinished UN business as the Gulf war aftermath.

That would be a big disappointment for Prince Sadruddin Aga Khan, his special representative for the Gulf, who is eager to step into his boss's shoes, having run and lost before. Early this year, Prince Sadruddin, who has Iranian citizenship and is the French-born son of the Aga Khan III, was a favourite to succeed, but his lustre seems to have dimmed. US officials still regard him, however, as in a reasonably strong position, if only because he might be the second choice of many.

For the first time, a captain of industry is in an unofficial list of possible contenders – Mr Pehr Gustaf Gyllenhammar, the head of Volvo. Neither he nor Mr Hans Janitschek of Austria, a former secretary-general of Socialist International now serving as a UN consultant, and the only candidate to have offered himself by formal letter to the Council president, is given much chance.

Those who have let it be known publicly, or in private to governments, that they are ready and willing to serve include Mr Ali Alatas, Indonesian foreign minister. believed at one time to have a good chance, but his prospects too seem to have faded.

So have those of most of the African contenders. The Organisation of African Unity's failure to endorse one candidate, but rather to settle for a field of six, has not helped its claim to the succession.

General Olusegun Obasanjo, former military president of Nigeria who now runs a chicken farm, Mr Bernard Chidzero, Zimbabwe finance minister, Mr Kenneth Dadzie of Ghana, secretary-general of a UN agency, and Mr James Jonah of Sierra Leone, another senior UN official, are canvassing hard. A new entry at the weekend was Mr Michel Doo Kingue of Cameroon, executive director of Unitar, the UN Institute for Training and Research.

Mr Martti Ahtisaari of Finland, who ran the UN operation that brought independence to Namibia and now is back in his country's foreign ministry, Mr Jan Eliasson, Sweden's UN ambassador, and Mrs Gro Harlem Brundtland, prime minister of Norway, are among possible choices from the Nordic countries.

Rounding out a current list of possible candidates, to which other names may be added, are Mr Oscar Arias, Nobel Peace prize-winner and former president of Costa Rica, Mrs Sadako Ogata of Japan, UN High Commissioner for Refugees whose handling of a difficult job is much admired, Mr T T B Koh, a former ambassador of Singapore to the UN and the US who now heads a committee preparing for the UN global conference on the environment next year, Mr Maurice Strong, millionaire Canadian secretary-general of that conference, and Mr Olara Otunnu, a Ugandan former ambassador and now president of the New York-based International Peace Academy.

Before any resolution to the succession, the General Assembly must choose today among three candidates for the office of president for the new session, this being the first time for several years the job has been contested. Candidates for this are Sir Michael Somari, foreign minister of Papua New Guinea, Mr Samir Shihabi, Saudi Arabia's chief UN delegate, and Mr Abdalla al-Ashtal, Yemen's chief delegate.

Collor calls on emergency meeting to combat crisis

PRESIDENT Fernando Collor of Brazil today will hold a meeting of the Council of the Republic - the clearest sign yet of the depth of the country's latest economic crisis, writes Christina Lamb in Rio.

The Council of senior politicians and ministers may be summoned only in times of war and national emergency. Mr Collor is expected to tell it that the country is ungovernable without his sweeping overhaul of the Constitution, recently proposed. The president spent the weekend in a many meetings with state governors and leaders of opposition parties, insisting that, without the overhaul, "the country is heading for an abyss".

He said the federal government was bankrupt and unable to make crucial investments in infrastructure and education. The changes were essential to allow the government to raise taxes, reduce spending and curb feverish inflation.

The president's attempts to secure political support for changes have been unsuccessful, opposition leaders having agreed to back only a few points, such as a tax reform of the tax system. They are demanding that Mr Collor first purge his administration of what they call corrupt colleagues from his home state, Alagoas.

Noriega trial starts

THE US Government opened its drugs trafficking case against General Manuel Noriega of Panama, in a Miami court yesterday, reports Henry Hamman in Miami. The prosecution's statement outlined the 10 charges, including racketeering, manufacture and distribution of cocaine, and money laundering.

Business travellers are in a better state to do business when they're spaced out.

Our new 20,000 sq.ft. Club Europe lounge at Terminal 1, Heathrow.

Our spacious new lounge provides Club Europe ticket holders with a haven of peace and quiet right in the middle of the world's busiest international airport, as well as access to business facilities. Opened on September 10th, it's the latest of a number of improvements we're making to our ground services throughout the U.K., like the new Eurohub Terminal in Birmingham. All helping to deliver you in Europe even better prepared to do business.

CLUB EUROPE

BRITISH AIRWAYS

The world's favourite airline.

WORLD TRADE NEWS

US machine-tool makers seek to keep import curb

By Nancy Dunne in Washington

THE Bush administration has begun considering a request by American machine-tool makers for continuation of controls on imports from Japan and Taiwan on grounds of national security.

The US industry will have had five years of "temporary" protection by the end of 1991 under "Voluntary Restraint Agreements" (VRAs) reached with Japan and Taiwan. The industry is still contending that it needs limits on imports and that its protection is vital to the US national security.

The Association for Manufacturing Technology (NMTBA) has taken its case to both Capitol Hill and the Bush administration. About 100 congressmen – including 14 members of the key ways and means committee – and more than 20 senators have responded by urging President Bush to extend the VRAs for three to five years.

The lobbying effort can be seen as a test case of the administration's view on the need to protect companies which once could claim their survival was vital to US defence.

In the past decade few industries have won that argument, and that was before the end of the Cold War. In Congress, however, sentiment has been building for the need to broaden the definition of "national security" to "national economic security". This would lay the foundation for protection of industries deemed vital to American manufacturing capacity.

The Bush administration has rejected this view; but next year is a presidential election, and industry groups could find they have increased clout.

The machine-tool industry has been having a slow year, but much of that could be attributed to the recession. Orders for the first seven months were \$1.4bn (£820m), down 18 per cent from last year.

However, they rose 8.8 per cent in July, giving some indication of a pick-up in the economy. Imports have climbed 7 per cent this year, after falling slightly to \$2.3bn for 1990.

The current VRAs limit the Japanese and Taiwanese shares of the US market in machining centres, lathes, milling machines and punching and shearing machines. These products represent more than 40 per cent of the US market. The controls have allowed US producers to recapture some of the market.

Australians to sell 10m sheep a year to Russia

By Kevin Brown in Sydney

A privately-owned Australian company yesterday said it planned to ship up to 10m sheep a year to Vladivostok in a countertrade deal negotiated with a state-owned Russian trading group.

Mr James Ferguson, co-owner of Perth-based Farmex, said the sheep would be shipped on board converted Russian whalers fitted with slaughtering and freezing facilities. The company plans to buy surplus sheep from wool-growers hit by a slump in world prices. The sheep would be slaughtered in international waters, avoiding the high costs of Australian slaughterhouses.

Mr Ferguson said Dalso, a company owned by the government of the Russian Republic, had agreed to provide up to 10 ships, some of which would be acquired from associated companies.

Farmex would be paid in Soviet roubles, which would be used to buy oil and petroleum products, fish, timber and other products for export to Europe, he said.

The Russian products would be marketed by Toncity Management, a Swiss company jointly owned by Farmex, Dalso and Toncity, a Swiss manufacturing group.

Mr Ferguson said the sheep acquired by Farmex would be ageing animals between five and six-years-old which would otherwise be shot and buried under the government's flock reduction scheme.

The sheep are worth less than A\$1 (40p) to farmers because the cost of transporting and slaughtering them in Australia exceeds the value of the processed meat.

"The rural sector will gain around A\$100m a year from this for sheep which would otherwise have no value. But that is not the end of the story because the Russians want all sorts of food, and we are also talking to producers of chickens and potatoes," Mr Ferguson said. Farmex hopes to have three ships operating between Australia and Russia's Pacific coast next year, building up to 10 ships carrying 10m sheep a year. However, the deal faces strong opposition from trade union and animal rights groups.

Nordic proposal for Baltics investment bank

By Robert Taylor in Stockholm

AN INVESTMENT bank should be established with \$354m (£209m) worth of initial capital payable over five years to assist the needs of the newly independent Baltic countries.

The new institution would mobilise foreign funds for investments as well as provide technical assistance and training for Baltic nationals in the principles and practices of investment banking.

This is the main proposal made by the Helsinki-based Nordic Investment Bank in a survey* of the financial needs of the Baltic countries prepared for the five-nation Nordic Council. It is suggested that 40 per cent of the capital for the new bank would be paid in over a five year period with the other 60 per cent provided in the form of guarantee capital. This would mean a total annual payment of \$6m to the Baltic states, with about one fifth coming in the form of convertible currency.

It is proposed that the new bank would have its headquarters in one of the Nordic countries and not the Baltic states.

The institution should be jointly owned by the Nordic and Baltic countries, the report suggests. It indicates the ownership might be 70 per cent Nordic-owned, with 20 per cent held by the Baltic states and the remaining 10 per cent by international financial institutions. The Baltic investment bank would be an umbrella organisation covering national financial bodies in Estonia, Latvia and Lithuania.

The survey believes that with the proposed \$354m worth of initial capital and the possibilities of borrowing from the international capital markets the bank would be able to fund between 100 and 300 small and medium-sized export-oriented privately owned projects in the Baltic states as well as environmental schemes.

However, the report indicates that the new bank would be in no position to meet many of the economic investment needs of the Baltic states at least in the short term. It calculates that the total investment needed to clean up the environment in the Baltic states amounts to some \$2bn.

A further \$85m will be required to improve the states' international telecommunications and \$50m for the roadway project which wil link up the Baltics from north to south.

On top of this the survey suggests \$125m would be need to modernise the fishing industry.

**Investment Needs and Financing Mechanisms in the Baltic Countries', the Nordic Investment Bank, PO Box249 SF 00171 Helsinki, Finland Tel 358-0-18001.*

The newly independent Soviet republic of Tajikstan is to set-up a development agency in London to encourage economic and social ties with the rest of the world, it was announced yesterday, writes Emma Tucker.

The Tajik Development Agency, the first of its kind, is a joint venture between the Tajik Joint Stock Commercial Banks of Social and Economic Development (Tajikbankbusiness), GS Invest International of Finland and EBO Amro Asset Management of London. It will be responsible for co-ordinating international projects, including the exploitation of Tajikstan's mineral resources, developing its banking and organising cultural exchanges.

Tajikstan, which borders China and Afghanistan, is rich in mineral and energy resources, including deposits of silver, gold, aluminium and precious stones. Its principal agricultural products are fruit and coal. It was declared a sovereign democratic state in August and was one of the first republics to start privatising state property.

Citröen may build Iran plant

By William Dawkins in Paris

CITROEN, part of Peugeot, the French carmaker, is negotiating with private and public Iranian investors to build a car plant in the west of the country.

Talks on financing what would be Citroën's second plant in Iran opened early this year, but no agreement has yet been reached on production levels, said Citroën officials. Iranian newspapers have speculated that annual output of 25,000 small cars is envisaged, but Citroën emphasised that no details have been settled.

Citroën assembled its former Dyane cars and light vans in Iran for the decade until the 1979 revolution, reaching output of up to 100,000 vehicles annually. Its joint venture, Saipa, with a private Iranian group, was then nationalised.

Peugeot struck a co-operation accord three years ago with Iran Khodro, a local industrial group, which started to bear fruit last year when the Iranian partner began production of a local version of the old Peugeot 504.

■ Iveco Magirus AG, a German lorry-making unit of Fiat SPA, said it received an order worth DM550m (£187m) to deliver 5,000 lorries to Iran. Reuter reports from Ulm, Germany. It will include 3,000 finished vehicles and 2,000 kits.

Life-form patent protest to EC

A COALITION of environmental and development groups called yesterday for the rejection of a controversial European Community proposal to patent new life forms, agencies report.

Biotechnology has enabled scientists to engineer genetically entirely new species of plant and animals. The creators of these transgenic life forms, as they are called, want to patent them. However, critics say no one should be allowed to own life.

The Patent Concern coalition consists of 29 organisations from Europe, including Greepeace and the Catholic Fund for Overseas Development.

It said in a statement the proposed EC directive "raises serious concerns about ethics and may damage animal welfare".

Singapore can see light at end of disk drive tunnel

Hopes are rising that the worst may be over in the computer industry recession, writes Joyce Quek

THE mood in Singapore is confident. Worldwide recession in the computer industry may have dealt a body blow to the world's largest producer of disk drives, but Singapore's Economic Development Board is optimistic that 1992 will bring revival.

If manufacturers can hang on through a slower second half, the board says, a turnaround is projected in the first quarter of 1992. There is a glimmer of hope, too, in the form of the world's smallest disk drive.

Two multinational corporations recently announced that they were shutting down their plants and shedding more than 400 staff. Rodime of Scotland is closing its only manufacturing facility, which produces 3.5-inch drives, in the next six months. It laid off 224 workers last month and plans another 186 lay-offs, citing a drop in revenue coupled with high investment costs. Parent company Rodime will continue as a technology licensing company.

After the suspension of its US operations, Prairie-Tek followed Rodime in closing its plant producing 2.5-inch drives and laying off 200 workers. It had been in operation for just five months. Mr David Riegel, president and chief executive officer, blamed "changing product requirements in the currently volatile computer market place and a major new financing that failed to materialise".

As host to industry giants such as Seagate and Conner Peripherals, Singapore has 30,000 people producing more than half the world's Winchester disk drives, The S\$7bn

The world's largest producer is confident of a revival thanks to prospects for the 1.8-inch drive

(£2.42bn) industry accounts for 7.5 per cent of domestic exports. As the EDB noted: "Singapore is not sheltered from the global restructuring and cyclical nature of the mass storage industry. All major disk drive companies are scaling down their lower-end disk drive production and rapidly introducing the higher capacity and smaller form factor disk drives to meet market requirements."

The increasingly-popular 3.5-inch disk drive caused producers to switch from making 5.25-inch drives and contribute to the consequent over-supply. It has also created pressure to switch from 5.25-inch drives to even smaller disks like the 2.5-inch produced by Prairie-Tek.

The EDB added that "during this transitional period and the second half of 1991, these companies are expected to face declining gross margins and flat earnings". The second half's exports are projected to fall by 6 per cent against the same period a year ago, and a 20 per cent leap in the first half. This translates into a 10-15 per cent growth for 1991 totalling S\$7.3bn, compared with the 48 per cent surge to S\$7.1bn last year.

Quick to see an opportunity, Integral Peripherals, a US manufacturer backed by Sumitomo and venture capitalists Hambrecht & Quist and China Venture Management, announced that by next April it will set up a S\$17m plant in Singapore to manufacture the first 1.8-inch drive. This has good prospects as it is in a mutually-exclusive field, catering for the increasingly popular and smaller "notebooks".

It is employing an initial 200 people, with plans for 2,000 staff by 1995 when its investment will hit S\$140m, and has expressed interest in acquiring the Rodime or Prairie-Tek operations. If successful, Integral can reduce its start-up time by two months. Meanwhile, US manufacturer Western Digital is introducing its first fully-automated drive manufacturing line and manufacturers have agreed to aid the establishment of a Magnetic Technology Centre.

While Singapore looks towards other industries to reduce its dependence on the volatile disk drive sector, it is none the less using the lessons learnt from the 1985 recession to ensure that, come 1992, it will still be standing proud.

Olympic takes up Airbus options

OLYMPIC Airways has converted two options for Airbus Industrie's A300-600R aircraft to firm orders, and taken out options for two more planes, Airbus said yesterday.

The Greek national airline will take delivery of the first aircraft in May 1992, to be powered powered by General Electric CF6 80C2 engines, for use on routes within Europe and to the Middle East, Nairobi, and Johannesburg. Olympic Airways already has eight Airbus A300B4s.

Airbus said this brings to 452 the total number of orders for the Airbus A300 aircraft, including 204 for the A300-600, its latest version.

Airbus doesn't disclose the value of its orders, but the aircraft's list price is \$80m (£47.3m).

Hopes of consumer-led upturn hit by sales

By Peter Marsh

A SHARP fall in UK retail sales volumes last month, shown by statistics out yesterday, depressed expectations about a consumer-led upturn in the economy later this year, although other government figures indicated that a recovery in manufacturing may have begun.

According to the Central Statistical Office, seasonally adjusted retail volumes fell in August by 1.4 per cent compared with July. The drop, which followed two consecutive monthly increases, was greater than many City analysts had expected.

Separately, the CSO said that the decline in manufacturing output, which began in April last year at about the start of the recession, "appears to have halted".

This assessment, coupled with a big drop in manufacturing output costs due to slackening wage demands, came after the CSO reported that factory output in the three months to July was up 0.5 per cent compared with the previous three months. This was the first three-month on three-month increase since mid-1990.

The two pieces of economic data fit in with theories that the economy is likely to show a small expansion in the third quarter of 1991, indicating a technical end to the recession.

However, on the latest economic evidence, stronger factory output, partly fuelled by export demand, is likely to emerge as the main engine for growth, rather than increased consumer spending in shops.

The Retail Consortium, a trade body for the sector, said it was "too early" to talk of a consumer-led recovery and that rising unemployment was dampening any slight rise in consumer confidence. It also cautioned against reading too much into the figures for August, which may have been affected by cut-price sales campaigns.

On a three-monthly basis, which gives a better idea of underlying trends, June-August sales were 0.2 per cent lower than those in March-May. However, figures for the earlier period were boosted by the rush to buy retail goods in March before a VAT increase.

The Treasury, commenting on the figures, said those covering manufacturing were the more important. It was especially heartened by signs of a continued decline in unit wage costs, a factor that is likely to help manufacturers' expansion hopes over the next few months.

At the same time, the productivity fall which has affected the manufacturing sector over the past year as output has dropped, appears to have levelled off, thanks partly to job shedding and also to the apparent "bottoming" in the industry's rate of decline.

Lex, Page 22

Survival behind a barricade of baked beans

Chris Tighe meets shopkeepers on the front line of last week's urban riots in Newcastle

A TOWERING stack of cans of baked beans, encased in stiff plastic, is wedged against the door leading from the street to the flat above general dealer Mr Mohammed Azam's shop.

Next door, on one side, is the Armstrong Road Post Office, petrol-bombed in last week's riots and now gutted and boarded up.

On the other side is the Bobby Shaftoe pub, the pavement outside it a gathering point for stone-throwing mobs during the nights of disorder in the Scotswood area of Newcastle upon Tyne.

Sandwiched in the middle, behind his barricade of baked beans, Mr Azam is trying to carry on his business. The steel shutters on the windows keep out both thieves and natural light. But Mr Azam is staying put. "What choice have we got?" he says. "You can't sell the shop – you can't give it away."

Mr Azam has run his shop in Scotswood for 10 years, living upstairs with his family. He bought the property for £8,000. Before the riots he declined an offer, which he thought too low, of £75,000 for the shop and flat. "Now it's worth nothing," he says.

Mr Azam was born and brought up in Newcastle's West End. He is the son of a ex-Gurkha from Kashmir who ended up in Tyneside and became a trader.

For 25 years Mr Azam, a father of six, has worked seven days a week – his shop, run with his wife's help, opens even on Christmas Day. Aged 42, he could pass for 60.

Mr Azam knew real trouble was imminent last Thursday when he saw placards in his street announcing: "Scotchsy Riots 8pm". He received three anonymous telephone calls from people doing him a favour by warning him that his shop was a target.

He removed all his business documents from the flat, visited his bank and accountant, rang his insurance company in Bristol to confirm that his policy was in order and took the family's few heirlooms and his youngest children to a relative's home.

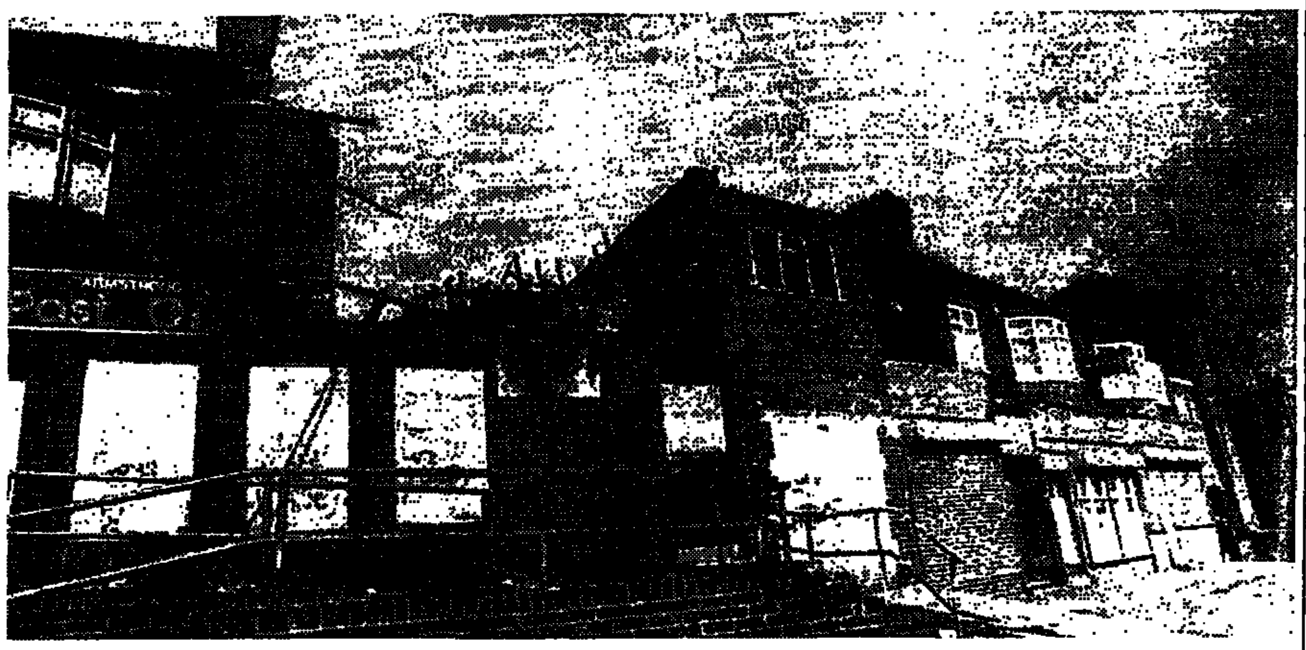
He expected no help from the police. Instead, some local people came to sit out the night with him in case the property had to be defended.

Mr Azam is not alone among traders in the area in concluding that the police are of little help. A younger shopkeeper, who has been in Scotswood for more than a decade, says it is a waste of time involving them, and it wins no friends locally. "At first, when we moved here, we sorted out the trouble ourselves, but we don't really like any trouble, so we get other people to sort it out." And how do they sort it out? A sideways look over the counter. "You know the score."

Meanwhile Mr Azam, fervently hoping the disorder was over, was yesterday stocking up from a cash-and-carry.

"My father told me: 'God gave you hands and legs. You don't live off the state, that's only for disabled people.'"

Many of his customers do not see it that way. Nor do his own two sons. Aged 24 and 21, they have never been in trouble, but neither has ever had a job. "They aren't bothered," says their bewildered father. Says Mrs Azam: "Maybe the kids get it too easy."



Shutters down: Mohammed Azam's shop sits between a burnt-out Post Office and a pub outside which rioters gathered

BRITAIN IN BRIEF

Fiat plans job cuts at Essex tractor unit

Fiat is planning to cut the workforce of Ford New Holland, its UK agricultural machinery subsidiary, by almost a quarter in the face of the severe depression in the global tractor market.

The company said that it was seeking to reduce the workforce of Ford New Holland's plant at Basildon, Essex, by 650 from its present level of around 2,700. It is planning to make the cuts, which will will include 200 salaried staff and management and 450 hourly paid employees, through a programme of voluntary redundancies and early retirement.

The job cuts are a further blow to the automotive industry which has been hit hard by the recession with the loss of thousands of jobs in assembly, components and retail dealer networks.

Meanwhile Aston Martin, the UK luxury sports car maker, is cutting a further 50 jobs, reducing its workforce to 400, following the previous loss of 85 jobs in March. The latest cuts follow a fall in US and Japanese demand.

Anglo-French cut 220 jobs

GEC Alsthom, the Anglo-French power engineering group, is to cut 220 jobs in its electro-mechanical division at Trafford Park, Manchester, northern England.

The company, jointly owned by GEC of the UK and Alcatel Alsthom of France, blamed falling spares and service orders. It warned in a letter to employees that further reductions could come if there was no improvement in demand. GEC Alsthom employs more than 2,500 people at Trafford Park, of which 850 are in the electro-mechanical division.

British Gas cuts prices

British Gas cut prices for power station customers yesterday after a six-month row about the cost of supplies. It did not rule out further conflict with consumers and the regulator.

The company could clash soon with its power customers as it has set a ceiling of 1bn therms of gas a year for power generation, which is well below demand projections of some 5bn therms. It is the first time British Gas limited supply to this market. British Gas was forced by the regulator, the Office of Gas Supply (Ofgas), to cut prices for these consumers from between 23p and 22p a therm to between 19.6p and 20.3p a therm after the furore surrounding its 35 per cent price rise in March.

Gunmen kill councillor

Loyalist gunmen murdered a Sinn Fein councillor in Northern Ireland just hours after the Irish Republican Army warned it would avenge the killings of Catholics.

MAGHERAFELT

Mr Bernard O'Hagan was shot dead in front of students as he arrived for work at Magherafelt College of Further Education in County Londonderry. A member of Magherafelt district council, Mr O'Hagan's killing was the latest in a series of murder bids on Sinn Fein, the political wing of the IRA.

Recovery seen in Scotland

The Scottish engineering industry believes the recession has bottomed out and a slow recovery is underway. A survey by Scottish Engineering, an employers organisation, found that a small minority of companies were now pessimistic about their prospects.

The quarterly survey showed that 26 per cent of companies were optimistic with 22 per cent were pessimistic, with the views of 52 per cent were unchanged. Some 29 per cent of companies had improved their order books in three months. Thirty per cent had unchanged order books, 41 per cent said orders had declined.

Satellite deal for Glasgow

Up to 170,000 homes in Glasgow will soon be able to receive satellite television without having to install their own satellite dishes, under a deal agreed between the district council and the US company Millisat.

Under the £17m three year deal, Millisat will install communal satellite dishes on tower blocks and other complexes of flats and houses, and pass on the satellite signal via new cable systems.

Penal reform to be widespread

Improvements in prison life allied to tighter security were announced by Mr Kenneth Baker, home secretary, in the most widespread penal reform programme of recent times.

The government has accepted most of the recommendations of Lord Justice Woolf's inquiry into last year's spate of serious prison disturbances including the riot at Strangeways, Manchester, the worst-ever in a British jail.

Some of the government's proposals to make prison life more humane and constructive will take years to implement.

Court hearing for Ramsden

Mr Terry Ramsden, warrants trader and former chairman of Walsall football club, appeared in court in California last Friday following an investigation into Glen International, his personal investment vehicle, by City of London police and the Serious Fraud Office.

The case was adjourned until October 25 and there was no application for bail. UK authorities are expected to make a request for Mr Ramsden's extradition shortly. The SFO began its investigation after Glen International collapsed in 1988 with accumulated losses of over £140m.

UK NEWS

Kinnock under pressure over party leadership

By Alison Smith and Ian Hamilton Fazey

MR NEIL KINNOCK, the Labour leader, yesterday dismissed suggestions that he was a liability to his party and should stand down from the leadership, as he repeated his call for an election by early November.

He said questions about whether he should resign were "absurd" and he shrugged off two weekend polls giving the Conservatives a lead of up to five percentage points, saying: "We'd like to be ahead but we are still in a strong position."

Following the reports that some cabinet ministers favoured keeping open the option of an early election, given the positive trend towards the Tory party in recent surveys, Mr Kinnock said that "constant speculation, fuelled by the prime minister's dithering, is having not only a political effect but an economic effect."

Downing Street once again moved to play down the prospects of an election in November, saying that Mr John Major "sees no reason to hurry".

Mr Peter Lilley, trade and industry secretary, came out strongly against a November election. He said that, while business confidence had turned up sharply during the summer, the government would do better to wait for trends to become well-established.

"I have always been a spring man, or even a summer man. I see no reason to change," he said.

Mr Lilley is believed to be among ministers who also think the outcome of an autumn election is at present too unpredictable for the government to risk.

With economic indicators moving the right way, waiting could only improve chances.

Downing Street made it clear that while the prime minister would obviously review the circumstances, he had "a great deal of work to do" in the coming months, particularly in preparation for the European Summit in December at Maastricht. A further round of meetings with other European leaders begins tomorrow when Mr Major will meet Mr Ruud Lubbers, the Dutch prime minister, in The Hague.

● Political parties would be compelled to disclose the size and source of all individual donations received from foreigners under legislation to be introduced by a Labour government, Mr Frank Dobson, energy spokesman, said yesterday. In a new round of pre-election skirmishing he challenged the Conservatives to explain reports that a Greek shipping tycoon had made a secret £2m donation to the party's coffers.

Labour prepares to rise to the big occasion

Ivo Dawnay on Neil Kinnock's efforts to regain the political initiative lost over the summer months

CRISIS? What crisis? The studied calm emanating from the Labour Party's headquarters yesterday belied any suggestion that the opposition either is, or should be, in a tailspin over the governing Tories' weekend return to an opinion poll lead.

Ambushed by reporters Mr Neil Kinnock, the party leader, eschewed justifiable irritation and dismissed yet more dispiriting questioning of his leadership *with a jocular guffaw.*

Immodestly listing his achievements, he added: "I have been and am a very good captain of the team and you don't drop winning captains."

Indeed, this time at least, the "official" mood appeared to reflect more or less faithfully a broad swathe of opinion throughout the parliamentary Labour party, buoyed, perhaps, by the symbolism of the late summer's collapse into grey skies and sudden downpours.

Outsiders daring to suggest that improving economic indicators and two polls showing a Conservative five or four point leads might just be a cause for concern were brushed aside as fainthearts or naive.

As Labour's "shadow cabinet" meets today, the message will again be repeated like a mantra: the Tory revival is a short-term phenomenon. The release of Mr John MacCarthy, the failed Soviet coup, Kennebunkport and Beijing were happy chances for Mr Major, bolstered by his good luck in being this year's chairman of the Group of Seven industrial powers.

The leader of the opposition says he will not quit despite poor opinion poll ratings of his potential voter appeal

When the voters return to their mortgages, tatty public services, and mounting unemployment we are told, the opposition will regain its natural lead just as it did after the Gulf war.

Yet, when all this is said, the more thoughtful Labour analysts concede that this is no time for complacency and there is some evidence that there has been some complacency about. The much-discussed concept of the permanent election campaign throughout the holiday months failed to materialise. The absence abroad of Mr Kinnock during the Soviet crisis was understandable but unfortunate.

The main business of the meeting, however, will be to concentrate on the annual conference at the end of the month and the weeks that follow it. Aware that the Tories will be trumpeting an economic recovery, Labour's aims at subverting voter optimism.

In a speech yesterday, Mr John Smith, the shadow chancellor, enthusiastically set about the task by defining the end to the recession as the moment that unemployment begins to fall and growth returns to an annual rate of 2.5 per cent – criteria safely far from the reach of this parliament.

Whereas the Tories will merely create a consumer-led upturn, yet again sowing the seeds for a new boom-and-bust cycle, Labour's more upbeat conference prescription will promise a Kinnock government actively engaged in building the conditions for an investment-led turnabout.

"The message we have go to get over is that Britain needs to do better than recover," one backroom strategist insisted.

Under pressure from the shadow spending ministers, the conference will also tackle the charge of fighting a negative campaign by underlining programmes on Labour's traditional "winning" sectors of health and education.

But is all this enough? A straw poll of Labour MPs both back and front bench at the weekend suggested that, after the years of party and policy reforms, few believe much more can be done.

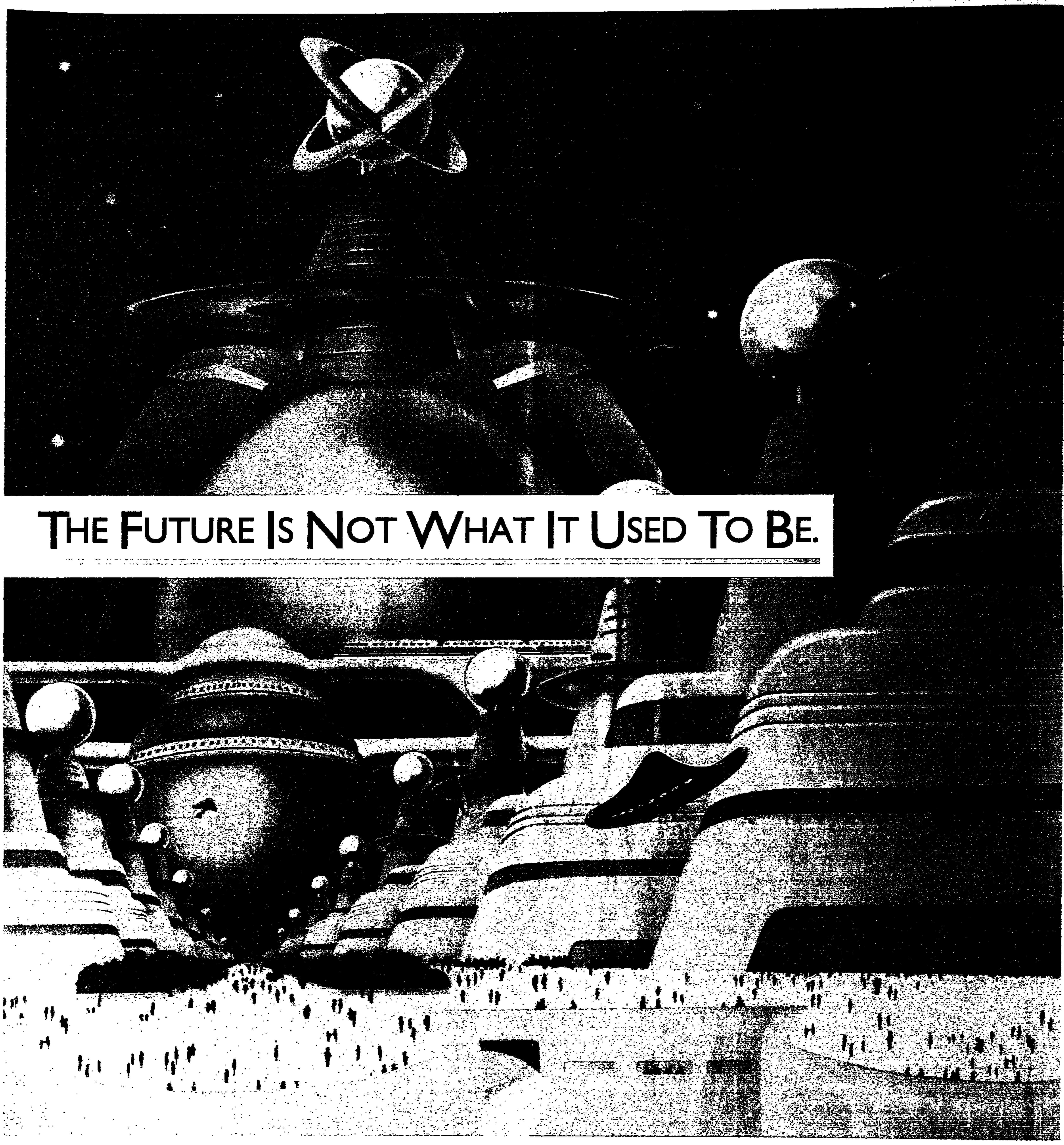
If, as now seems likely, the Tories choose to fight the election on the two issues of economic competence and the relative charms of Mr Major against those of Mr Kinnock, then so be it.

Yet just a few quiet Labour voices are alarmed that the party's hopes of government are now dependent on the skills of the communications chiefs and economic indicators beyond any politician's control. Something, even if it only is a change of tone from shrill jeering at the government to one couched "more in sorrow than in anger" is needed, they say.

Others talk more boldly of a grand policy gesture – a commitment to some sort of action on constitutional issues – as proposed this week by the left-of-centre think tank, the Institute for Public Policy Research.

Nobody is talking of crises: but then nor did Sir James (then Mr Jim) Callaghan when the complacent quotation was wrongly attributed to him during the *1978/79* "winter of discontent." The *sotto voce* question, both then and now, is: should there be?

THE FUTURE IS NOT WHAT IT USED TO BE.



Funny, isn't it, how views of the future change so rapidly. Just ask any visionary you happen to meet.

Today, scores of people are trumpeting the virtues of networking. We at Novell defined the industry. Since then, we have become synonymous with Network Computing, and our software products are now in their eighth generation.

You see, we're not in the prediction business. We're in the reality business. We don't look at the world through a crystal ball. We look at it through the eyes of our customers. Which is why, if you have an eye on the future, you'd do well to consider the people who made it possible.

NOVELL

The Past, Present, and Future of Network Computing.

For more information please call Novell Marketing at 0344-860400 and reference this advertisement.

MANAGEMENT: The Growing Business

Venturing into fresh fields to find finance

Charles Batchelor reports on an alternative to the bank manager

Like most owners of private businesses, the directors of International Food Machinery (IFM) were not particularly keen to dilute their holding by selling off shares. But when they weighed up their options for strengthening the finances of their fast-growing business earlier this year they realised there were limits on their choice of action.

The banks were growing increasingly concerned at their exposure to the small firms sector and were calling in loans rather than increasing facilities. At the same time, IFM, a two-year-old company which buys and sells mainly second-hand food processing equipment, was already fairly highly geared.

"If we had been able to get a bank loan we would have gone for it," says Rashmi Chauhan, finance director. "It is better than giving up equity. But we were in the period leading up to banks announcing their results (which showed many making large provisions to cover losses on small business loans). We also felt that the amount we wanted was probably too much for a bank anyway."

John Holroyd, founder and managing director of IFM, and his fellow directors solved their financing dilemma by agreeing to issue £1.25m worth of ordinary and preference shares to County NatWest Ventures, the venture capital arm of National Westminster Bank. These shares gave County NatWest a stake of around 20 per cent in the Bath-based business, which expects pre-tax profits to rise from £800,000 to more than £1m on turnover up from from £4.1m to £5m this year.

IFM is just one of a growing number of unlisted companies which is now prepared to consider issuing equity to outside investors instead of simply increasing borrowings. This development mirrors the recent trend among quoted stock market companies to strengthen their finances by means of rights issues.

Three main factors have contributed to this change in the unquoted company sector:

● Bank attitudes have hardened in response to the losses which they have suffered on their small business customers. "The banks are putting on the pressure," says Richard Hargreaves, managing director of Baronsmead, a venture capital company. "The banks have stopped providing what is in effect equity at overdraft rates of interest," says Philip Langston, assistant director in County NatWest Ventures' Bristol office.

● The length of the recession coupled with signs it is now coming to an end. "The harshness of the recession has forced companies to consider strengthening their capital base," says Trevor Jones, managing director of Gresham Trust, a venture capital company. "During the recession, businesses were just trying to stay afloat; now that it is easing they have the opportunity to think strategically," says Hargreaves.

● A slight but perceptible change in the attitude of small business owners to the idea of retaining complete control of their companies. Grahame Parish, managing director of Tiger Books, a distributor of remaindered books, raised £1m from Baronsmead after weighing up whether to stay small or go for growth. Expansion of the business was initially financed by Parish's own funds and bank borrowings and later by factoring his invoices. "Equity was the third stage of growth," he says. Sales have since doubled to a projected £6m this year while profits have risen threefold.

"Private companies are more willing to consider issuing equity," says Paul Brooks, managing director of Prudential Venture Managers. "There are a lot of deals in the pipeline."

"We are seeing quite well run private companies which have decided to give up a bit of equity to fatten their capital base," comments Jones.

The willingness to consider issuing equity increases if a company is considering a public listing. A.F. Budge, a large but still privately owned civil engineering and mining company, raised £20m of equity from Prudential Venture Managers and Charterhouse Development Capital last January to finance growth and strengthen its balance sheet. Budge, with annual sales of just over £250m is looking for a future flotation, says Mike Connolly, finance director. By signing up equity investors, a private company gets access to financial expertise and a gentle introduction to the art of dealing with outside shareholders.

Jones says the quality of company seeking to raise equity has improved but other venture capitalists are not convinced. Peter Shortt investment manager at GLE Development Capital says a lot of businesses are looking at venture capital to raise finance but not many deals are being completed. "It goes against the grain for venture capitalists simply to replace bank debt with equity."

The need to involve the bank closely in the negotiations to inject equity is just one of the areas which the company's directors, as well as the venture capitalist, need to keep in mind. It is not unknown for a bank manager to withdraw loan facilities when he sees that a company has raised finance from other sources. Other points which need watching are:

● The timing of negotiations. Do not leave a decision on raising equity finance until it is too late. It should not take much longer to negotiate an equity package than it does to raise a large slab of additional bank finance, says Brooks, but a company only weakens its negotiating position by waiting until its finances are under strain. If the deal is a "fire sale" the venture capitalist will be able to put pressure on the company.

● The structure of the deal. While the selling point of the venture capital industry is its ability to provide equity, much of the finance provided does not take the form of ordinary shares. Loan notes and redeemable preference shares form a large part of most funding packages.

The attraction to the venture capitalist of these two forms of finance is that they provide a regular return in the form of interest payments on the loan notes and dividends on the preference shares. At the same time they allow the venture capitalist to reduce his exposure to the company as the loan is repaid or the prefs are redeemed.

Many people regard loan notes as quasi-equity because they represent for the lender a risk approaching that of true equity. Loan notes are usually unsecured and rank for payment after secured "senior" debt. An important advantage of loan notes to the borrower is that interest payments may be set against tax. But the bank manager will not treat them as equity for the purpose of calculating how much he is prepared to lend against assets.

Preference shares, in contrast, do count towards a business's equity base though dividend payments cannot be set against tax. Prefs will usually be in redeemable form: that is, repayable by the borrower over a period of years.

Equity investors want to invest as much as possible in redeemable form so that they are not locked into company for too long, says Andrew Curtis of Baronsmead. If the investor has a sizeable ordinary share investment in a company and there are problems in arranging a sale or flotation he may find himself trapped in an unattractive investment.

Redeemable prefs are popular because they offer a compromise between the needs of both investor and the investee company. The company has the benefit of equity which can in turn be used to increase bank borrowings, while the investor has flexibility.

● Planning the next stage. Most venture capitalists want to know when they will get their money back. The directors of the company raising money must make sure they know what the venture capitalists expect of them and plan to find a replacement investor, to be sold or floated on the stock market.

"There will be a few sharp intakes of breath at board meetings in the future when the directors discover the venture capitalist wants to get out," warns Shortt. Companies which raise equity in the present harsh economic climate must be careful they do not limit their options when the better times come.

Rashmi Chauhan (left) and John Holroyd: looking to venture capital to strengthen finances

Suppliers lose patience

Charles Batchelor reports that small firms in the medical sector claim they are being undercut by the NHS

Small businesses supplying medical and surgical equipment to private nursing homes and hospitals claim they are being put out of business by National Health regional supply centres which are undercutting them on prices.

The small firms say that the only way that the NHS organisations selling to the private market can charge lower prices is because they do not fully take account of their costs. NHS officials assert that all costs are properly allocated though they did issue new guidelines last March following a series of complaints.

The NHS Procurement Directorate said that the complaints were coming from suppliers who had previously made large profits in niche markets where they were now facing tougher competition from a more efficient supplier.

"We are losing markets to the health authorities," said Nigel Lockett, managing director of Hygeia Care, a Skipton, Yorkshire based supplier of dressings and incontinence products with sales of £1.1m. "We cannot compete on price because the NHS suppliers don't account for their true costs yet it is my taxes which they are using to get established."

"The area health authorities are selling certain products at prices we cannot even buy at," said Peter Boultby, managing director of Industricare, a Shepshed, Leicestershire company with £1m sales and 13 employees. "It is unfair competition and it could put us out of business."

The case for the smaller wholesalers has been taken up by the British Surgical Trades Association, representing nearly 200 companies. The association said the National Audit Office, which is due to start a pilot study of income generation activities in the NHS, had agreed to take its concerns into consideration.

An attempt by the small wholesalers to interest the Office of Fair Trading in its claims was unsuccessful though the OFT appeared willing to accept there might be a problem over costs. "What you seem to have in mind is rather a case of inefficient allocation of costs," the OFT wrote in August. "In the absence of anti-competitive evidence these should prove to be a temporary problem as the organisation develops procedures appropriate to its new role."

The problem of NHS competition for suppliers of medical and also food products arose following the passing of the Health and Medicines Act in 1988, which allows health authorities to sell goods and services at a profit to customers outside the NHS.

Complaints from some suppliers of medical equipment and grocery items that the NHS was selling on products and undercutting the original manufacturer prompted the new guidelines last March.

The suppliers' grievances appear to have been resolved but problems now centre on the small wholesalers of medical supplies.Selling outside the NHS "needs to be conducted on an explicit basis of fair competition and of avoiding undue damage to the interests and core business of the NHS or to NHS relationships with suppliers and the wider market place in which the NHS has to operate," the guidelines state.

Records of private sale activity is to be maintained in the form of what are known as memorandum trading accounts. "These will be in a standard form which detail total value of sales, direct and indirect costs and gross and net profit. This will ensure that sales to non-NHS organisations involve no subsidy and are being conducted in accordance with these guidelines. For re-selling activities these accounts will be monitored once a year by the procurement directorate." Small medical wholesalers are concerned, however, that these memorandum trading accounts will not be made public. The accounts of one NHS supplier, set up as an independent company and hence required to file accounts at Companies' House, are not reassuring, the wholesalers maintain.

The accounts of S&F (Southport), part of the Southport and Formby Health Authority, showed that the company had sales of £317,773 in the year ended March 1990 and made a loss of £91. Lockett says there are several details of the accounts which concern him.

The accounts show that the company paid out £36,500 in management charges but although it had six directors, it paid no directors' remuneration. It also paid just £9 in bank charges in the year.

Douglas Murray, managing director of S&F (Southport) said: "Everything is totally costed in the company and we have accountants and auditors. We operate on hospital premises for which we pay rents and rates while we also have a separate phone. The department of health came to us 18 months ago. They went through us to see we were doing it correctly and at the end of the day they wished us all the best."

Turning to the specific issues raised by Lockett, Murray said the lack of payment to directors was because "we don't pay directors' remuneration". Murray said that he did not know why the bank charge was so low. "I suspect that when we ruled off the end of the year the charges might not have come in."

T. Luxton, the NHS official who acts as a contact point for NHS supplies organisations with queries about the guidelines, said they had been drawn up after discussions with other wholesalers and trade associations.

"This is intended as a marginal activity and all the indications are that that is what it is. You have a small number of vociferous wholesalers who have always conducted themselves in small niche markets. They have a comfortable little niche in, for example, nursing homes. They now find they have a more efficient wholesaler coming in and they cannot compete. The NHS is taking all costs into account."

One NHS region had calculated that its total on-cost to make sales was 10 to 11 per cent compared with some other wholesalers who based their prices on costings of 45 per cent, Luxton noted.

"We are not saying that the NHS will wipe out other wholesalers but there are some at the margin who will suffer when a new wholesaler comes in. With the recession, private nursing homes and hospitals are looking around to cut their costs. The regional supply centres are run on a pretty efficient, 24-hour basis."

BUSINESSES FOR SALE

LEONARD CURTIS

BY ORDER OF THE JOINT ADMINISTRATIVE RECEIVERS
S D SWADEN FCA AND K P BARRY FCA
IN THE MATTER OF

THE ALDERMASTON MARINA & LEISURE COMPANY LTD. AND PADWORTH AGGREGATES LTD.

OFFER FOR SALE

The business as a going concern including goodwill, customer base, experienced workforce, plant and machinery of this well established Sand and Gravel Quarrying business. Situated on a 61 acre freehold quarry site at Aldermaston, Berkshire, close to M4 junction 12.

Further enquires should be addressed to the offices of:
Leonard Curtis & Co, Chartered Accountants,
30 Eastbourne Terrace, London W2 6LF
For the attention of M. Temple
Tel: 071-262 7700 Fax 071-723 6059

Artist Materials Wholesaler

National turnover c. £700,000
Excellent potential with keen staff, but present owners unwilling to expand. Offers invited for assets and goodwill.

Enquiries by fax to 0604 846987

Hotel Premises For Sale
Park House Hotel
Sussex Gardens
London W2

Peter Copp of Stoy Hayward, the Joint Administrative Receiver, offers for sale the above property as a going concern or with vacant possession if required.

- 43 rooms
- Central location
- Potential for refurbishment and extension
- Current income approx. £5,000 per week

For further information please contact *Adrian DeSouza* of the Receiver's sole agents Stickley & Kent, 320 Upper Street, London N1 2XQ. Tel: 071-359 8243.

STOY HAYWARD Horwath
Accountants and Business Advisers A member of Horwath International
Authorised by the Institute of Chartered Accountants in England and Wales to carry on investment business
8 Baker Street, London W1M 1DA. Tel: 071-486 5888.

PRIVATE LIMITED CO. FOR SALE

Scottish based Windscreen Replacement Business.
T/O £500,000 p.a.
Write Box H9685 Financial Times, One Southwark Bridge, London SE1 9HL

Software Systems Company

with particular involvement in the textile industry. Established user base. Profitable business. Considering sale for genuine reasons. Enquiries to Box H9659 Financial Times, One Southwark Bridge, London SE1 9HL

Three business magazines for sale. Annual contribution £187,000. For sale individually or as a group. Apply Box No H9689 Financial Times, one Southwark Bridge, London SE1 9HL

LANGUAGE SCHOOL

City centre school in historic northern city teaching foreign languages and E.F.L.. for sale.
Write Box H9704, Financial Times, One Southwark Bridge. LONDON SE1 9HL

CHESHAM. BECAUSE YOU ONLY SELL YOUR BUSINESS ONCE.

And you want the right buyer. With confidential briefs from hundreds of acquisitive public company chairmen who are looking to buy successful, private companies worth £500,000 to £25 million, we ought to be able to help. So if you're thinking of selling your business, contact our Managing Director to arrange a confidential discussion.

CHESHAM AMALGAMATIONS
The first name in mergerbroking.
Chesham House, 2 Bentinck Street, London W1M 6JX.
Telephone: 071-935 2748

AN EXCLUSIVE

SPORTS CLUB

LONSDALE ROAD · BARNES
LONDON SW13

20 ACRES

of Undeveloped Land with Buildings totalling approximately 35,000 sq ft.

ONLY 3 MILES FROM CENTRAL LONDON

ALL ENQUIRIES TO

Peter Gwilliam — WILLIAM HILLARY & COMPANY

David Watt / Harry Sadler — DEBENHAM TEWSON & CHINNOCKS — 071-408 1161

LEONARD CURTIS

BY ORDER OF THE JOINT ADMINISTRATIVE RECEIVERS
DAVID SWADEN FCA & DERMOT J POWER FCA
IN THE MATTER OF
GERAINE LIMITED

T/A PHOENIX PRINT

Offers are invited for the business and assets of the above company. Its main activity is silk screen printing and packaging, providing a totally self sufficient design and production service.

- State of the art production equipment.
- Freehold or Leasehold premises of 18,000 sq. ft. in Central Northampton.
- Annual turnover approaching £1 million.

Enquiries should be addressed to Gez Ratcliffe at:
Leonard Curtis and Partners, Chartered Accountants
Peter House, Oxford Street, Manchester, M1 5AB
Tel: 061 236 1955 Fax: 061 228 1929

For Sale

Due to retirement of owner. Small established tank cleaning company, located Birmingham. Profitable. Main asset freehold site with wide site licence for difficult wastes,
Principals only Fax 021 354 4352

LONG ESTABLISHED

fastener manufacturer specialising in bar-turned nuts. T/O £230k. Net Assets 31.3.91 £75k. Owner retiring. Guide price £100k
Contact Alan Frouds, 41 Lower Brook Street Ipswich, IP4 1AQ 0473 217238

Quality Cabinet Makers

The Joint Administrative Receivers offer for sale the business and assets of E.H. Architectural Products Ltd.

- *Manufacturer of high quality wood veneered furniture for office and shop fitting*
- *Located near Nottingham (M1 5 miles) and operating from modern 20,000 sq ft freehold premises with land for expansion*
- *Turnover £1.3 million*
- *Plant and equipment for wide product range*
- *Highly skilled workforce*

For further details please contact Alan Lovett, Ernst & Young, Provincial House, 37 New Walk, Leicester LE1 6TU.
Telephone: 0533 549818. Fax: 0533 551357.

ERNST & YOUNG
Authorised by The Institute of Chartered Accountants in England and Wales to carry on investment business.

On the instructions of the Joint Administrative Receivers of Kilncross Limited

FOR SALE

AS A GOING CONCERN

THE LANGHO NURSING CENTRE

RIBBLE VALLEY
NEAR BLACKBURN, LANCASHIRE

Registered as a Nursing Home for 124 residents

A Superb Complex Comprising Five Self-Contained Units in a 7 Acre Parkland Setting

Contact DUNLOP HEYWOOD Ref DWM/SLW 061 834 8384

EUROPEAN INTERMODAL PRODUCTS LIMITED

(IN ADMINISTRATIVE RECEIVERSHIP)

The Joint Administrative Receivers offer for sale the business and assets of the above specialist engineering company.

- Manufacturers and repairers of road/rail special freight containers and swop bodies.
- Approved range of products for freight transport granted by German Railways.
- Established customer base and current order book.
- Leasehold premises with fully equipped factory at Rotherham, South Yorkshire.
- Approximately 35 employees.
- Annual turnover of £1.4 million (70% export) with capacity of £2.5 million.

For further information, please contact:
Alan Katz or Linda Manning
Arthur Andersen & Co.
St Paul's House
Park Square
Leeds
LS1 2PJ
Tel: 0532-416250
Fax: 0532-416397

ARTHUR ANDERSEN

LETTINGS & MANAGEMENT CO

London Residential
£100K + Profit.
Write Box H8973 Financial Times, One Southwark Bridge, London SE1 9HL

FOR SALE - WINE ACCESSORIES BUSINESS

Wholesale and mail order business specialising in upmarket wine gifts and accessories. 3 years trading. Stocks, mailing list (c.7,000), goodwill and agency for sale. Offers around £25,000. For details fax Rosie Gilbert (0264) 356777.

WE SELL COMPANIES

SALE/HIRE STORAGE CONTAINERS/PORTABLE OFFICES - CUMBRIA - Estab Co. Unopposed Key customers. T/O £330K NP £105K. £200K +/- current assets (Ref ZHM27227BB)
FABRICATION ENG - W. WILTS - F/H mod ind estate. T.O. £250K GP £99K. NP pre drawings etc £68K. Long estab. Good customers. Price £350K (Ref ZEM29126X)
COMMERCIAL VEHICLES - Major name, approved centre, service, breakdown, repairs etc. Lincs/Notts. 1.25 acres T/O £800K. F/H £375K (Ref ZTV28053G)
BUILDING CONTRACTORS - CANTERBURY - Old estab specialising in restoration and refurbishment. T/O £2.4M. ½ acre Freehold site. Price £425,000 (Ref ZCV29192Z)
METAL FASTENER DISTRIBUTOR - N. ENGLAND - Estab Co. several depots. Accounts show T.O £4.125M. NP £588K. Price £2.5M +/- net assets (Ref ZED24146D).
ELEC ENG - E. Midlands - £204K profit. T/O £700K Well estab, sound customer base. Can be run by current management. £525K +/- net assets (Ref ZEE 28030SM)
MIDLANDS-SPORTS SHOP CHAIN - Well estab. Prime Town Centre lctns. Secure lses. T/O 2M & 39% GP. Profit pre Finance etc £225K. £525K+ s.a.v. (Ref ZRW29507SM)
W. COUNTRY GARAGES - 3 F/H sites. 2 major dealers. New/used cars, wkshp, substl petrol/derv thruput. T.O £5M+ - Price on application. (ZDG27187189N)
PLASTER/DRY LINING/FLOOR SCREED/GRANO CONTRACTORS - E. MIDLANDS. A well estab bus. NP exceed £100,000 p.a. price including F/H £325,000 (Ref ZL9536G)

EM&F EVERETT MASSON FURBY

We should like to hear from principals – whether buying or selling – regardless of sector, size or location.
Strictest confidence is maintained.

18 Walsworth Road, Hitchin, Herts SG4 9SP. Tel: 0462 422499. Fax: 0462 420062

FOR SALE
NON FERROUS SANDCAST FOUNDRY

Based in the North West with a superb freehold location. Excellent order book with blue chip client base.
Turnover £540k G.P.B.T. £120k
Details from: Rosehill, Lydiate, Merseyside, L31 4JF
Tel: 051 526 4006 Fax: 051 526 1673

A. ANTHONY ASSOCIATES
CORPORATE FINANCIAL PLANNING

HOTELS - FOR SALE -

AT REALISTIC PRICES
CENTRAL LONDON
W2, W8, W9, SW5, SW7
22-250 Bedrooms

Ref: TJB/MWS

HEALEY & BAKER
071 629 9292

WINE BUSINESS

Hants/Surrey border. Well established (14 years) and profitable business for sale, with, or without valuable freehold interest in prime High St. position. T.O. approx. £400.000 Net profit approx. £60.000.

Offers in the region of £300.000 including the freehold or leasehold by negotiation.

Write Box H9710, Financial Times, One Southwark Bridge, London SE1 9HL

Rodime Europe Limited

(In Receivership)

The Joint Receivers offer for sale the disk drive repair facility of Rodime Europe Ltd. The facility is located in Glenrothes, Scotland and is being operated by the Receivers. Offers are sought on a going concern basis.

- *Modern leasehold premises of 25,000 square feet with one cleanroom of 7,000 square feet*
- *Skilled workforce of 41 employees*
- *Capacity to repair 1,000 disk drives per week*

For further details please contact Graham Ritchie or John Hall, Ernst & Young, 17 Abercromby Place, Edinburgh EH3 6LT.
Telephone: 031-556 8641. Facsimile: 031-556 5156.

ERNST & YOUNG
Authorised by The Institute of Chartered Accountants in England and Wales to carry on investment business.

OFFICIAL HOSPITALITY FACILITIES AT TWICKENHAM

Peter Parfitt Sport, in conjunction with the Rugby Football Union, is delighted to announce the availability of OFFICIAL HOSPITALITY PACKAGES for the ten major matches at Twickenham including 4 World Cup games and 2 Home Internationals.

All packages are inclusive of reserved seats and catering with car parking.

For further details of this exclusive offer please contact the Official R.F.U. Agent:

PETER PARFITT SPORT LTD
39 THE GROVE, ILKLEY,
WEST YORKSHIRE, LS29 9NJ.
TELEPHONE: 0943 816233.

Expressions of Interest

CONVEYOR/IDLER MANUFACTURER

Expressions of interest for the purchase of the business and assets of an Australian company manufacturing Conveyor/Idlers and supporting structures, product range one of the most complete available, worldwide reputation, with extensive use in all types of extractive and material handling industries.

Your expression of interest together with details of interested party should be forwarded by no later than Sept 30, 1991 to:

Parbett, Chave & Rowland,
Chartered Accountants,
54, Moore Street, Liverpool NSW 2170, Australia.
Facsimile (02) 600 8889

FOR SALE
IN THE SOUTH OF THE NETHERLANDS

Undertaker's and taxi business as a going concern.

80 funerals annually. Modern and well-maintained premises (total surface 4154 m²). Spacious parking facilities with good accessibility, close to cemetery. Selling price negotiable, price indication: 7 million Dutch Guilders - approx. £2.2 Sterling - for goodwill, buildings and inventory. Interested parties should write to: *Box H9708, Financial Times, One Southwark Bridge, London SE1 9HL.*

NORTH CAROLINA

For sale by owner, 15,000 acres. High and dry w/large peat deposits. $13,500,000 or best offer. Owner financing available. Serious inquiries only.
Write Box H9627
Financial Times.
One Southwark Bridge.
LONDON. SE1 9HL

Established office furniture supplier in London area

Profitable business with turnover in excess of £2 million and profits circa £100,000. Good client base, existing management prepared to remain.

Write Box H9696, Financial Times, One Southwark Bridge, London SE1 9HL.

MANAGEMENT COURSES

Elusive little creature, Growth. Especially in today's climate.

But somehow, someone else always seems to manage it. Perhaps they know something.

ENTERPRISE TRAINING CENTRE

10 days' Executive Training
2 days' Management Consultancy
Strategy, Management and Staff Review
Presentation to Financiers
Unlimited Training Materials
Intensive Part-time Course

The Accelerated GROWTH Programme

For further information telephone, fax or write to the address below quoting reference: FT.

Growth Programmes, Enterprise Training Centre,
63 Newington Causeway, London SE1 6BD. Tel: 071-403 0300. Fax 071-403 1742

Sponsored by Grant Thornton, GLE and the Royal Bank of Scotland Group.

Printing Business For Sale

Well established concern in East Anglia with turnover of £1M, freehold premises - specialist work - good plant.
Write Box H9643, Financial Times, One Southwark Bridge, LONDON. SE1 9HL

BUILDERS MERCHANT

The builders merchants division of a public company is being offered for sale as part of a rationalisation programme.

- Yorkshire based
- Turnover: External £3.4 million; Group £0.6 million
- Approximate gross asset value £900,000
- 50,000 sq ft leasehold site

The sale will comprise fixed and current assets and the goodwill of the business.

Please write to Box H9688, Financial Times, One Southwark Bridge, London SE1 9HL.

TRAILER MANUFACTURING:

Profitable small company with new product range poised to reap the benefits of new legislation. Plus hire division. Turnover 770k, current Directors wish to pursue other interests.

ACQUISITION OPPORTUNITIES:

We have companies for sale in - Haulage & Distribution, Chilled Storage, Catering Installation, Care Homes, Plastic Extrusions, Engineering, Laundry Products. Cable Laying (Groundworks).

SELLING YOUR BUSINESS:

We have enquiries from substantial companies and individuals please contact us in strict confidence.

Mace Associates
Tel 0400 81247 Fax 0400 814318

FOR SALE

Profitable north west private company specialising in commercial joinery. *Approx turnover £2m* good asset base. Chairman retiring but able to retain active role.

Write Box H9697, Financial Times, One Southwark Bridge, LONDON SE1 9HL

ENGINEERING COMPANY

with toolmaking, precision component and prototype series. High profit margins, circa £½ million turnover, located in Home Counties. Write to Choularton Securities Limited, 1 Pudding Lane, London EC3R 8AB.

PLANT & MACHINERY

Délalföldi Erdő- és Fafeldolgozó Gazdaság (Forestry and Wood Processing Co.) in Hungary offers its laminate manufacturing plant in Szeged for Sale or for utilization as Joint Venture.

Significant data of the plant are:

area	150,000 m²
number of employees	450
productivity - glued laminates	5,000 m³
- furniture laminates	4,000 m³
- plywood	6 million m²

Further detailed information by personal discussion.

For further details please contact:

Délalföldi Erdő- és Fafeldolgozó Gazdaság
Szeged, Budapesti út 1.

Postal address: H-6701 Szeged, Pf. 57, Hungary
Phone: (36-62) 22-833
Fax: (36-62) 25-035

PATENT FOR SALE

Patent and Patent pend. regarding devices for anchoring dental Prostheses. Answ. to: ALE Berglund, Vasagatan 39, S-781 50 Borlänge, Sweden
Fax 46 225 42058

As this is a reg. patent, I see no reason for London to "pull the third world attitude" and say that we need a lawyers letter. The company is registered... no problems!

FOR SALE
INDUSTRIAL CLEANING COMPANY

- Well established business
- Sound client base
- North West based
- Turnover 400K AV 3 years
- Freehold offices and depot
- Profit 55k AV last 3 years

Principals only Write Box H9693, Financial Times, One Southwark Bridge, London SE1 9HL

ON THE INSTRUCTIONS OF THE RECEIVERS

FURNITURE HIRE COMPANY FOR SALE

Please reply to: G. Defries, Messrs. Sorsky Defries, Gable House, 239 Regents Park Road, London N3 3LF
Tel: 081 346 9361

FOR SALE - WINE ARTS

Mail order and publishing business, trading 4 years, in wine-related prints, posters, maps and greetings card. Orginal artwork is available, with many reprint rights. Stock, mailing list (c.7,000), goodwill and all rights for sale. Offers around £45,000. For details fax Rosie Gilbert (0264) 356777.

COMMERCIAL SHRIMP FARM

Largest intensive facility in U.S. 500,000 lbs. current production. Very profitable & fully set-up. Premium Product. Expert Management & Technology. Room for expansion. Located South Carolina Coast. Asking $5,900,000.
Tim Cross, Broker
803 726 4902 fax 803 726 6474.

FOR SALE

Small long established family machinery business, turnover £750,000, with strong competitive niche in world market place.
Write Box H9698, Financial Times, One Southwark Bridge. LONDON. SE1 9HL

GOLF - Investment Opportunity

Up to £250,000 required for the commercial exploitation of a fully developed and tested machine for golf driving ranges. (£100K already invested in prototype development). The product has a great world-wide marketing potential, with very significant revenue projections.
(PCT) Patent pending.
Replies to Box H9703, Financial Times, One Southwark Bridge, London SE1 9HL.

A small, busy typesetting and business services bureau in Kensington available with or without premises. Considerable scope for expansion. For information call Edward Oliver, Shipley Blackburn. Tel: 071 839 4311.

AIRCRAFT FOR SALE

McALPINE HELICOPTERS

NEW AS 355 F2 TWIN SQUIRREL

THE CORPORATE HELICOPTER FOR THE 90s

AVAILABLE NOW

Contact Christopher Forrest or David Lewis
Hayes Helicentre, Swallowfield Way, Hayes, Middlesex.
Tel: 081 848 3522 Fax: 081 561 4075

On view at Helitech '91 Redhill stand No 530 Sept 24-28

OFFICE EQUIPMENT

AMERICAN BANK MOVES HQ

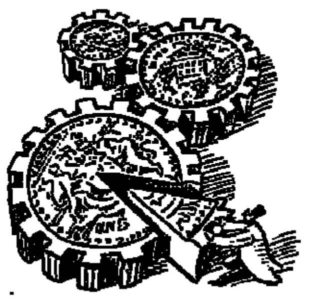
Large Quantity of Good Quality Desking

Executive offices. Rosewood
Circular tables. Rosewood
Conference tables and chairs
Reception Seating
Oak and Grey desking 6' 5' 4'
Matching cupboards and filing cabinets.
Over 600 Chairs
300 Screens

5 FLOORS MUST BE CLEARED THIS MONTH TEL: 081 549 9339

TECHNOLOGY

Putting a price on 'cleverness'



In the fifth article of a series looking at public spending on research and *development* throughout the world, Kevin Brown examines how the Australian government is aiming to revitalise the country's scientific endeavour

Nearly 30 years ago, Donald Horne, the Australian social critic, observed in a famous book that Australia was "a lucky country run mainly by second-rate people who share its luck".

Horne's book, The Lucky Country, was meant as a warning that Australian wealth would not last without fundamental changes in the Australian way of life. It was hugely influential, but not in the way he intended. Rarely read but widely quoted, its title came to encapsulate the view that Australians would always enjoy a high standard of living, regardless of events.

History has proved Horne correct. Once the world's richest country in terms of per capita GDP, Australia has now slipped to 17th among the 24 nations of the Organisation for Economic Co-operation and Development.

It was this relative economic decline which led Bob Hawke's federal Labor government to sweep away many of the regulatory and protectionist devices which had insulated Australia from the world since the continent's six former British colonies achieved nationhood in 1901. As part of that programme of structural change, the Hawke government has now turned its attention to the scientific and educational framework which underlies the prosperity of developed nations.

The prime minister's "Clever Country" initiative, launched during the 1990 federal election campaign and fleshed out in a statement earlier this year, is intended to revitalise scientific endeavour, and to boost Australia's flagging research and development effort.

"To achieve change, we must mobilise our most valuable resource: the talents of the Australian people," Hawke told Parliament. "This does not necessarily mean working harder; in Germany and Japan, both highly successful competitive countries, working hours are actually falling. But it does mean working smarter – working more effectively, using new materials, new production technologies and new management tools. It means being, like Germany and Japan, a clever country."

Few have argued with Hawke's central case, that Australia must develop more and better skills if it is to compete in world markets. But there is plenty of scepticism about the ability of the Clever Country programme to achieve that goal. Barry Jones, a former Labor science minister, says there is a "slick, facile quality about the word 'clever', as if all we needed was a quick fix."

As Jones points out, Australians have always had a reputation for resourcefulness: "We could fix up a leaking water tank . . . with chewing gum, and do clever things with fencing wire. But in the age of micro-electronics, these skills are no longer particularly relevant," he says.

Others have pointed out that the Clever Country analysis was first put forward by Horne in 1964. He wrote: "Throughout the world the basis of material prosperity in the future is likely to lie, for the first time in history, with clever, educated people. The need to build up a certain kind of cleverness will cause great social tensions in all industrialised countries; but especially in Australia, where cleverness can be considered un-Australian."

Horne has resisted pointing out that the delay of 27 years between his analysis and the prime minister's announcement tends to prove his point.

The root of Australia's problem is that its economy differs from most other developed countries because of its dependence on relatively low-technology industries like mining and agriculture, which account for around 80 per cent of exports. Also, most companies are small by the standards of Europe, Japan and North America, and much of industry is dominated by foreign-owned multinational companies.

The result is that investment tends to be directed towards low- and medium-technology industries, while multinational companies are reluctant to commit research and development funds to Australian branch offices or subsidiaries. This seems unlikely to change.

The Australian Science and Technology Council (Astec), a government advisory body, concluded in its report The Core Capacity of Australian Science and Technology that: "While transnational firms can be induced, through subsidies and suasion, to perform more of their R&D in Australia and to form linkages with local firms, it seems unlikely that this will lead to the development of an Australian high-tech sector with characteristics similar to those of other small OECD countries which perform well in these areas."

The government's strategy has been to concentrate on encouraging companies to develop techniques which will add value to products in which Australia has a comparative advantage. This has been attempted through tax breaks for private R&D spending, and promotion of greater links between industry and government research agencies such as the Commonwealth Scientific and Industrial Research Organisation (CSIRO).

A series of Co-operative Research Centres is being set up to promote joint public/private sector research, and the agencies have also been required to fund part of their activities from non-government sources. At the state level, the government has encouraged South Australian proposals for a new suburb of 100,000 people in Adelaide, known as the multi-function polis, where it is hoped foreign and Australian businesses will establish a cluster of private-sector research organisations, partly stimulated by the state government's technology purchasing programme.

Ross Free, the federal science minister, says the strategy is working "reasonably well", pointing to an average real rate of growth in business spending on R&D of around 14 per cent a year since 1981/82, and an annual rate of growth of 17 per cent a year in the number of overseas patent applications made by Australians – the highest growth rate of any OECD country.

There are also some high-profile success stories, such as the CSIRO's joint programme with Queensland Metals to increase the value of production from its magnesite mine north of Rockhampton from A$60 (£27.70) a tonne for the raw material to A$600 a tonne for magnesite bricks, and potentially to A$4,000 a tonne for refined metal exports.

"When you consider our vulnerability to fluctuations in the price of our major exports, which tend to be either what we can grow or dig up, it is a major concern that quite a lot of our economic problems could have been avoided had we devoted greater efforts to adding value," Free says.

However, there are doubts about the government's commitment to providing its share of the funds to ensure that the improvement of the last few years is sustained. The government has announced plans to cut the rate of tax deductability for R&D spending by business from 150 per cent to 125 per cent, even though the take-up is already falling, reflected in a decline in the cost from a peak of A$196m in 1987/88 to A$178m last year (both figures at 1984/85 prices).

The forecast cost for the current year is A$162m, implying an effective cut in the government subsidy of 21 per cent over four years. The overall federal government budget for R&D support will rise by 4.3 per cent this year to A$2.607bn, nearly double the expenditure in the government's first year in office in 1983/84.

However, the trend looks less impressive using constant 1984/85 prices. On this basis, the current year's budget is equivalent to A$1.692bn, an increase of just 1.2 per cent since spending peaked in 1986/87 at A$1.671bn. Spending fell heavily between 1986/87 and 1991/92, bottoming at A$1.549bn in 1988/89.

The government's contribution to R&D spending has been falling steadily as a percentage of GDP, from 0.76 per cent in 1984/85 to 0.67 per cent in 1988/89, the latest year for which figures are available. Over the same period, business spending has increased from 0.32 per cent to 0.52 per cent of GDP, indicating that the strategy of shifting the burden to private industry is having some effect.

Over the same period, total spending on R&D has increased from 1.12 per cent of GDP to 1.23 per cent. However, total spending has fallen after peaking at 1.26 per cent in 1986/87, and is still below the level of 1968/69, when spending stood at 1.33 per cent of GDP. As Jones pointed out in Parliament: "This is not a promising start for an explosive growth in Australia's capacity to produce high value added exports."

Hawke will have a chance to increase the government's commitment to R&D next May when he steps up the Clever Country initiative with the publication of Australia's first white paper on science policy. So far there is little indication of what he will say, other than to call for further increases in business spending. However, ministers are playing down expectations that government spending will be increased. "It will be more a broad statement of principle," says Free.

The series will continue next week by focusing on Germany.

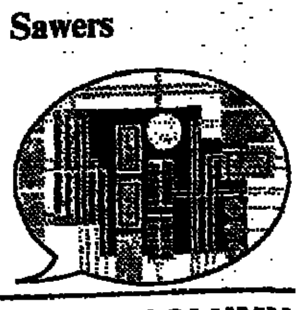
AUSTRALIAN R&D EXPENDITURE

A$ million	1986-87	87-88	88-89	89-90	90-91	91-92 est
Major scientific research agencies	630.6	584.4	556.7	563.5	576.0	578.6
Science and innovation grants	244.8	174.5	181.4	195.6	207.0	249.2
R&D and related tax incentives	176.5	196.1	167.2	176.2	178.2	162.2
Higher education research	653.9	661.3	643.8	649.9	661.4	702.0
Total federal government support at estimated 1984-85 prices	1,571	1,616	1,549	1,585	1,623	1,692

Source: Australian Treasury

Static arguments in a dynamic field

By David Sawers



GUEST COLUMN

The European Commission has an old-fashioned attitude towards the electronics industry: it believes that European ownership is necessary to ensure that the users of its products can obtain the most up-to-date devices, that large firms are vital to competitiveness in this industry, that size achieved by merger can be equated with size obtained by growth, and that protection or support for research can enhance competitiveness.

It also assumes that ability to manufacture the dynamic random access memory (D-Ram) is the yardstick of success.

This analysis is static for an industry that is dynamic, in which success depends upon rapid reaction to competitive pressures and technological opportunities, and in which recent innovations have facilitated the provision of devices designed for specific uses, such as application specific integrated circuits (Asics). These latter innovations reduce the users' dependence on a few suppliers of the latest products.

Output of these specialised devices is rising much faster than that of the D-Ram, which they can in some cases replace; and output of D-Rams is now smaller than that of the more specialised chips. It is therefore rather surprising that so much importance is placed on the ability to make D-Rams – especially when the cost of entry is high and when successful production relies heavily on experience in making memory chips.

If it was ever true that the European suppliers of electronic devices played a strategic role in the success of European industry, it is not true today.

If the European electronics equipment industry is continuing to fall behind its foreign rivals, its failure reflects inability to cope as well as its rivals with the possibilities for invention and innovation in the industry. Its weakness seems to lie in the technical, managerial and especially the entrepreneurial abilities of its employees. European companies seem to have been unwilling to take as many risks as their rivals, and unable to develop, manufacture and market their products as effectively.

Efforts to improve the competitiveness of the European industry by supporting collaborative research have failed: companies, it is said, have failed to exploit the results. So it is suggested that the EC, or national governments, should support the exploitation process, protect European markets more effectively, or encourage mergers to produce larger companies.

These steps, unfortunately, would do nothing to correct the weaknesses of the European industry, which are related to its personnel rather than its finances.

Attempts to improve the performance of the electronics equipment industry by government support should therefore be abandoned rather than extended. The European companies should be left to find their own level, because the individual skills of their staff will be the main determinants of their success in this fast-moving industry.

It is simply foolish for governments or the Commission to seek to increase the scale of these companies' activities, when governments cannot determine the skills of their employees.

The sad old dogmas of strategic products and industries should be left buried in the past; the highly competitive electronic component industries of Japan and the US can best supply the needs of European users.

It is the existence of competition in the world industry that is the real protection of European users, not self-sufficiency within Europe.

The author is an economic consultant.

ARTS

Symphonie fantastique

ROYAL FESTIVAL HALL

Last year John Eliot Gardiner established his "Orchestre Révolutionnaire et Romantique" to do for the 19th century what the neo-Baroque bands have been doing for earlier music, as many music-lovers are aware – but not quite enough, apparently, to fill the hall on Sunday. That was a waste: there are more than enough people who admire Berlioz's *Symphonie fantastique*, and would have found this performance wholly fascinating.

It was cleverly set up by the preceding works. Exactly as in one of Leon Botstein's Mendelssohn Festival concerts which I reported last week, the *pièce de résistance* by the Master came after three "overtures" by his once-famous elders and contemporaries, thus demonstrating the Master's superior genius in the most vivid and immediate way. Here, the luckless supporting acts were by Boieldieu, Cherubini and Méhul – but I exaggerate: Cherubini's Overture *Les deux journées*, at least, is sharply imagined and very well-made.

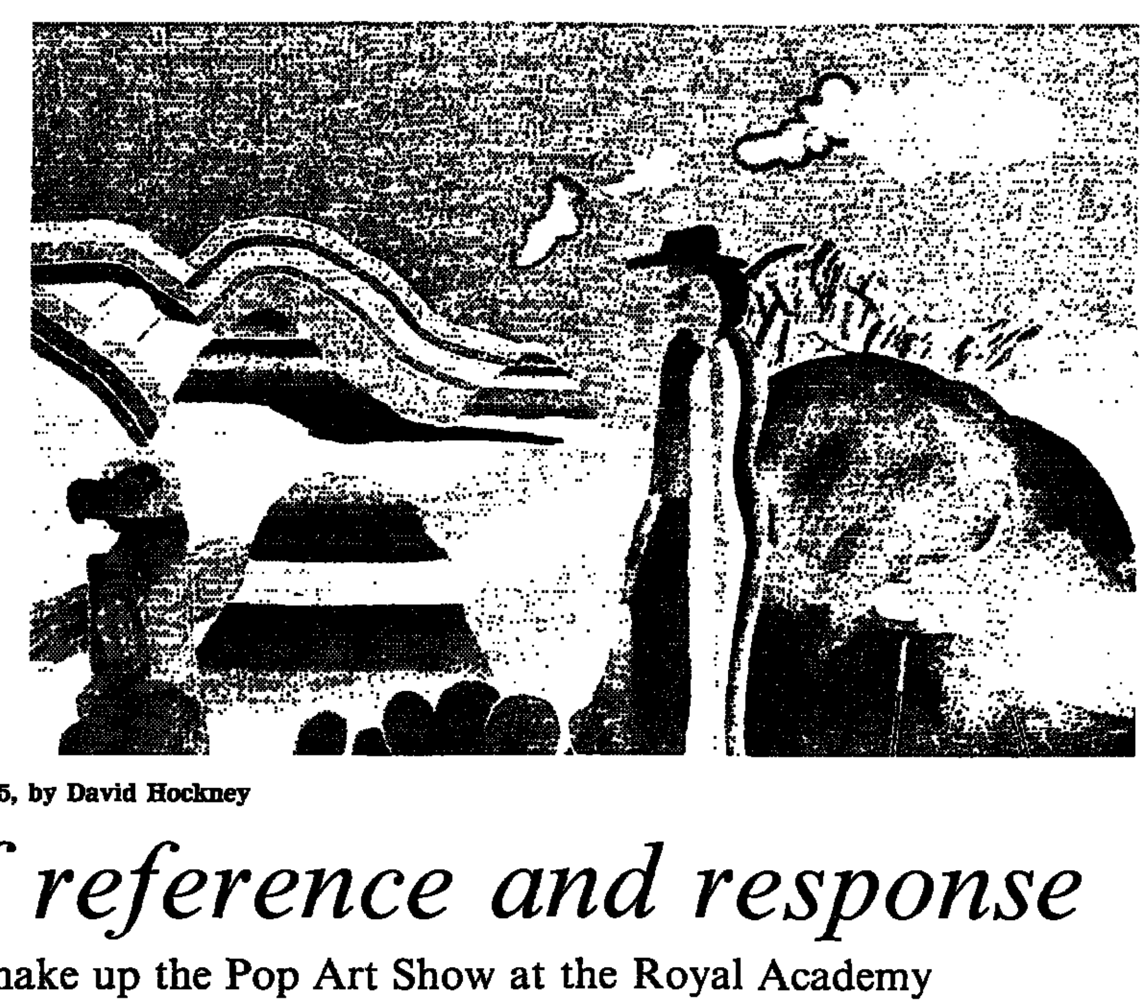
It sounded the more so after the *Zoraïme et Zulnar* Overture by Boieldieu, a piece of outstanding musical vapidity. Swallowed as a canapé, the latter went down easily enough, thanks to its naively disarming orchestral colours. Gardiner and his players also put the best face on Mehul's overture for *La chasse du jeune Henri*, which displays an acquaintance with two or three more chords than Boieldieu but depends chiefly and repetitively upon quaint hunting-horn effects.

After such stuff, the *Symphonie fantastique* seemed more than ever a Pandora's box of unpredictable, explosive ideas. In this thrilling performance, it was impossible to disentangle the contribution made by the piquant "period" timbres of the band from Gardiner's own sympathetic input. Obviously he could draw a brilliant account of the work from a modern symphony orchestra too (though he thinks the standard sonorities now are "teutonised, americanised, homogenised").

On the other hand, if the period-sounds aren't absolutely essential they certainly ensure clarity and pungent character for distinct musical lines, with the bonus of guiding our modern ears toward elements of the score that we scarcely hear any longer.

The kazooish bassoon-sound was a clear asset, lighter and odder than the lush modern kind, and the fact that nearly all the old instruments were softer than their new cousins meant that a *tutti* could be just as forceful (on that scale) as a modern one, but without the familiar blot-out glare. Nevertheless, a "period"-style performance can also be as bland and faithless as a modern one; Gardiner's superbly prepared, insight-laden account was the opposite of that. Every movement had marvellous strokes (and subtle touches), but the opening "Reveries and Passions" achieved a barely-controlled Berliozian wildness with hair-raising fidelity.

David Murray



'Bathtub Collage', 1963, by Tom Wesselman; and 'Rocky Mountains and Tired Indians', 1965, by David Hockney

A hedonistic package of reference and response

William Packer reports on the bizarre conjunctions which make up the Pop Art Show at the Royal Academy

The first time I ever showed my work in public was at the Royal Academy Summer Exhibition 1963, and it just happened to be a painting of Marilyn Monroe. The Academy's principal offering for the autumn, *The Pop Art Show* (Burlington House, Piccadilly W1, until December 15: sponsored by Mercury Communications in association with *The Independent*), is for me, therefore, one of considerable interest, and mixed feelings besides. In this I doubt that I am alone.

For artists of my own generation, whose time at art school and early maturity filled the decade roughly between 1955 and 1965, Pop Art has always been peculiarly significant. It is not that we even thought of it as Pop Art – and indeed the label was attached to it comparatively late – but whether we liked it or not, that rich package of reference and response, superficial, hedonistic, ironical or what you will, was something with which we all had to come to terms.

What it made available to us was nothing especially new, nothing that dadaists, surrealists, cubists and constructivists had not somehow contrived between them long before. Here again were the collage, the assemblage, the bizarre conjunction, the secondary reference by way of photographic or other printed material. But suddenly it all seemed to come together at once, the moment fixed and enlivened by that sudden surge in awareness at a conscious level of the forces of mass communication and entertainment. The map of our creative world was now redrawn: here be Films Stars, here Advertisements, Comics, Popular Music, Shop Windows, Packages and Graphic Design, Junk and Kitsch, and all to be taken not as just another formal element in the larger scheme of Art, but for its own sake on its own terms, all legitimate, all grist to the mill.

This large survey at the Academy is well-timed, with enough now of historical perspective and yet not so late as to seem overdue. It is beautifully installed, immediately attractive and enjoyable. Given the nature of the material, it is hard to see how it could fail to be so; and here a doubt creeps in. With such ease of presentation does there come a certain glibness? Does it all flatter rather to deceive?

Such fault as there is attaches not to the Academy for putting on the show, nor to the artists, though we shall come back to them, but to the selection of the work and the emphasis laid upon it by the organisers. That perhaps is to credit them with too much of the positive. Where we might have hoped for a true reassessment and proper historical analysis, with all of fresh insight and surprise they may afford, what we get is the story as before, with the European contribution neglected, the British patronised and the American complacently accorded a pre-eminence that seems increasingly shaky and undeserved.

The problem is, as with every supposed Art Movement there ever was, that the narrow, precise or hermetic view grows ever more blurred and indistinct the harder we look at it. As for the individual artists within any such movement, the more interesting they become for their mutual variance and development in the longer term. Thus to lump the American and European varieties of Pop Art together with so light a critical judgment is misleading and unfair.

But, it being done, distinctions must be drawn. In general terms, the American work tends towards the open and public statement, immediate, consciously superficial and banal, independent of historical reference or continuity. The technique is often mechanical, often perfunctory and indifferent. The image is there, to be taken or left as it is, like the poster on the wall.

Taken to Warhol's ironical and ambiguous extreme, this can be interesting and even important. Johns too, in the dark repetitive intensity of his early work, and Lichtenstein by his formal consistency, remain significant. For the rest Larry Rivers still disappoints for never having resolved what his graphic talent proposed, while the slipshod arrogance of Rauschenberg, the one note of Oldenburg's one soft idea, and Rosenquist's large-scale hamfistedness, are merely tiresome.

European Pop Art is, by contrast, set in the modernist tradition and quite independent in its sources, references and chronology, of American example, for all that its material may well be American. The formal example is cubist, dadaist and surrealist collage, Ernst, Schwitters and Picasso, the freedom that to bring all manner of demotic material into aesthetic use. That freedom too the Americans had, but here the mood was personal and reflective, consciously ambiguous in its jokiness and irony. The British work is also, almost without exception, better made.

There are of course parallels to draw, for contemporaneity is always a kind of complement, but to set Allen Jones, for example, against Tom Wesselmann or Mel Ramos, Kitaj against Rivers, Caulfield against Lichtenstein, Peter Blake against Jim Dine, Paolozzi against Ray Johnson, is to demonstrate a technical superiority, to say nothing of material richness and qualitative difference, that has still to be more generally acknowledged. There are, of course, many gaps – no Nigel Henderson, no Michael Andrews, no Dubuffet. The European element is indeed sadly inadequate, and a thorough examination of the relation between *le nouveau realisme* and the incipient British Pop Art of the 1950s is now more necessary than ever.

But Art is not a competition, and American Pop Art stands in its own right as of considerable art-historical moment. The mistake is only to see Pop Art as essentially American in context and reference: the pity only that the opportunity for a more discursive, generous and fairly comparative examination of it, in all its manifestations, has been missed. A show dominated by Lichtenstein, Rauschenberg, Oldenburg and, above them all, Andy Warhol, is all very well, but not even half the story.

The Drummer

WATERMILL THEATRE, NEWBURY, BERKSHIRE

The tale of how this 1716 comedy has been brought back to the stage is itself romantic. Rummaging in a secondhand bookshop, the actress Joanna Dunham came across a battered 1753 copy of volume II of the miscellaneous works of Joseph Addison (he of *The Spectator*). It included two plays, *Cato* and *The Drummer*. *Cato*, a serious neoclassical drama that was a great hit in its day (exciting Whigs and Tories alike in its parallel to the recent political crisis involving the Duke of Marlborough), has often been republished. It is, however,a dodo. It was *The Drummer*, a farcical comedy, that caught Dunham's interest.

When first presented at Drury Lane in 1716, *The Drummer* was given a prestigious cast – including Mrs Oldfield (the original Mrs Sullen of *The Beaux' Stratagem*) and Colley Cibber (the great player of fop roles, reviser of Shakespeare, Poet Laureate and prime target of *The Dunciad*). But only Addison's *Spectator* colleague, Richard Steele – then managing Drury Lane – knew who had written it. Addison was shortly to marry the widowed Countess of Warwick and to become Secretary of State. Probably, as Dunham argues, he kept his authorship of *The Drummer* secret in case it should fail and endanger his ambitions.

As it happened, not only *The Drummer* but also Addison's health failed. He abandoned his post as Secretary of State, his marriage seems to have been unhappy and in 1719, aged only 47, he died. *The Drummer*, however, soon came into its own. Successfully revived (with his name) in 1722, it was often given until at least 1762 and was translated into French, Italian and German. In our time, however, it has been neglected.

The play is like a comic version of the end of *The Odyssey*. Sir George Truman, who is believed to have been killed in the wars, returns in disguise to his country home. Among the suitors who pester his faithful wife ("the mirror of widowhood"), Tinsel is a marvellously self-regarding fop ("Do you laugh to show your wit or our teeth?") while Fantome, less socially ept, is trying to scare Tinsel away by pretending to be the ghost that haunts the house. (*The Haunted House* is the play's subtitle.) The play is always lively, tells its story well and has many fine scenes. It does not abound in quotable lines – that is not its style – but at least six of its ten roles are good ones, written to compliment expert character actors.

The great merit of Wendy Toye's staging is its vigour and the faith it places in Addison's unexaggerated words. The audience is happily held from first to last and laughs easily throughout. There is too much scenery, and some unnecessary scene-changes occur. (Addison, a classicist, observed the unities.) The Swingle Singers muzak, used before and between scenes, is a pain, and the little bop done to this on one occasion by Vellum (John Conroy) is worse. But the play is never trashed, and most of its actors do it proud. I single out one: Judy Buxton, for the musical clarity of her diction and decorous vivacity of her characterisation.

Alastair Macaulay

Le Fanal Bleu

SALISBURY FESTIVAL

The Salisbury Festival saw the premier of Dorothy Tutin's solo show, *Le Fanal Bleu*, about the french dancer and novelist, Sidonie-Gabriel Colette. Her tempestuous life (1873-1954) offers all manner of delights for the biographer, devisor or actor. But this version of Colette was the greatest disappointment, principally because so many opportunities were lost or squandered in a flat-paced, anodyne account.

There are two problems with Barbara Neil's script, taken from Colette's autobiographical writings in *Earthly Paradise*. First, it comes from one source, so that while one learns much of Colette, the show takes the form of a lecture rather than a dramatic account of her life. Second, Neil's selection of material sets out to counter the image of Colette as the scandalous music-hall dancer by presenting the pained novelist; but she over-compensates and presents Colette as dull and priggish.

Colette married in 1893 and first appeared in the Paris gossip columns in a first-night audience of Maeterlinck's version of *'Tis Pity She's a Whore*. A publishing friend coaxed her into the *Claudine* novels, spicier with each rewriting. When Colette unshackled herself from Henri Gauthier-Villars, her music-critic husband, she danced in gold tights through the provinces and into the best Paris *salons* before she turned novelist and chronicler of the time in *Le Matin*. She married again, in 1912 and 1935. While Neil's script tells something of this, it fails to convey the excitement of the time.

However, there are some wonderful moments created solely by Colette's prose: the sensuousness of a cat awaking from an afternoon sleep heavy with the scent of tomato plants, or the horror of Colette's experiences with the wounded during the war.

Dorothy Tutin looked uncomfortable and read – not altogether fluently – from Colette's blue writing-paper. The period costume and set were welcome enhancements. Her Colette dutifully delivered the best-known lines about life, including sound advice which applies to anyone thinking of seeing this show in its present version – "look long at what pleases you, and longer still at what gives you pain."

Andrew St George

Camille

DRILL HALL, WC1

The first London visit in 20 years by New York's Ridiculous Theatrical Company is an occasion for some mirth but little joy. Their *Camille*, archly sub-titled "a tearjerker", is a tawdry tranvestite version of Dumas' Parisian melodrama *La Dame aux Camélias* which leaves no *double-entendre* unturned.

The title role, created by the company's founder-director Charles Ludlam, is inherited by his successor Everett Quinton, who works every line into such a frenzy of *moues* and manners that he drains the story of the *joie de vivre*, and the emotional manipulation which is surely responsible for the enduring appeal of Dumas' consumptive courtesan.

It is not that there is anything wrong with burlesque, just that the whole evening would be so much funnier if only it were a little less strenuous and cynical. The three acts (with two intervals) proceed with little variety of tone or tempo. In the desperate gaiety of the first one, a rococo gargoyle of a baron (H.M. Koutoukas) thumps at a little piano as the bright lights of the demi-monde twinkle away in bails of costumier's best. The frocks, at least, are seriously outrée in a style that would do credit to the panto at Clacton-on-Sea, while the hanks of stage jewellery quite outshine verbal gems ("Me fall in love? No, no Nichette").

To be fair, there is a genuine attempt to tell the story. Camille, discovered at her Auteil hideaway decked out like a strawberry tart, submits to society's pressure to abandon her lover and throws herself back into the baron's lascivious arms before repairing to her deathbed, from where she gasps some of the play's funniest, and most pointed, dialogue. In the era of Aids, there is an obvious resonance in her cry: "I have lived for love and now I am dying for it" – if only the production would allow it to be felt. There were plenty of of people in the clubbish Drill Hall audience who seemed delighted by it all, but to me it seemed tacky and rather tedious.

Claire Armistead

INTERNATIONAL ARTS GUIDE

TODAY'S EVENTS

■ AMSTERDAM

Concertgebouw 20.15 George Cleve conducts the English Chamber Orchestra in an all-Mozart programme, including the Jupiter Symphony and the Piano Concerto No 20 with Mitsuko Uchida. Tomorrow and Thurs: Solti conducts the Royal Concertgebouw. Fri: Ozawa conducts Brahms (6718 345)
Muziektheater 20.15 Dutch National Ballet in works by Hans van Manen, William Forsythe, Toer van Schayk and Balanchine, final performance tomorrow. Thurs and Sun: Netherlands Opera production of Mazeppa. Fri and Sat: Nederlands Dans Theater (6255 455/credit card bookings 6211 211)

■ BARCELONA

Gran Teatre del Liceu 21.00 Tanz-Forum Cologne in Prokofiev's ballet Romeo and Juliet, choreographed by Jochen Ulrich. Daily till Sun (412 1466)

■ BERLIN

Deutsche Oper 20.00 Dietrich Fischer-Dieskau, accompanied by Hartmut Holl, sings Schubert Lieder (Sun matinee: Fischer-Dieskau sings Die schöne Müllerin). Tomorrow: Giselle. Thurs: Madama Butterfly. Sat: ballet evening. Sun: Tosca (West Berlin 3410 249)
Philharmonie Kammermusiksaal 20.00 Roger Norrington conducts the Chamber Orchestra of Europe in a Haydn and Mozart programme. Tomorrow: piano recital by Elena Baschkirova. Thurs, Fri, Sat and Sun matinee: Ivan Fischer conducts the Berlin Philharmonic Orchestra (West Berlin 2614 383)
Staatsoper unter den Linden 19.00 Egon Bischoff's production of Swan Lake (East Berlin 2004 762)
Komische Oper 19.00 Tom Schilling's production of Romeo and Juliet, music by Prokofiev (East Berlin 2292 555)

■ BRUSSELS

Palais des Beaux Arts 20.00 Michel Corboz conducts the Orchestra and Chorus of the Gulbenkian Foundation, Lisbon, in a performance of Carvalho's Te Deum, repeated tomorrow in Antwerp. Thurs: Alicia de Larrocha is piano soloist in a Mozart and Tchaikovsky concert with the Belgian National Orchestra conducted by Ronald Zollman. Fri: Alexander Rahbari conducts the BRT Philharmonic Orchestra (507 8200)

■ BUDAPEST

This week's events include a recital by the Bartok Quartet at the Academy of Music tomorrow and on Saturday, and a piano recital by Zoltan Kocsis in the Pest Concert Hall on Friday. The new season at the Erkel Theatre begins on Friday with Ferenc Erkel's patriotic opera Hunyadi Laszlo (1844), followed by a ballet evening on Saturday and a Hungarian-language production of Nabucco on Sunday. The State Opera reopens on Sep 26 with a matinee performance of Erkel's Bank Ban (1861), followed by *Britten's Albert Herring in* the evening. An English-language entertainment entitled The Play's The Thing can be seen each evening at 19.30 at the Merlin International Theatre, in the courtyard of the City Council, Gerloczy u. 4

■ DRESDEN

Semperoper 19.30 Hans Zimmer conducts Janacek's Osud, staged by Joachim Herz. Tomorrow: ballet triple bill, with works by Francois Klaus, Johannes Bönig and Bernd Schindowski, music by Britten and Pärt. Thurs: Zar und Zimmermann. *Fri: Entführung. Sat: Il barbiere* di Siviglia (4842 731)
Schauspielhaus 19.00 Maxim Gorki's play Summer Folk (1904). Tomorrow: Alfred Jarry's farce Ubu Rex (4842 731)

■ GENEVA

Grand Théâtre 20.00 Song recital by Olaf Bär, accompanied by Geoffrey Parsons. Thurs and Sat: Jose van Dam sings title role in Der fliegende Holländer (212311)

■ GHENT

Festivalhal 20.00 Flanders Festival: Rudolf Werthen conducts the Flanders Opera Orchestra in Wagner's Rienzi overture, Schumann's Third Symphony and Chausson's Poeme de l'amour et de la mer. Fri: Jos van Immerseel conducts the New Belgian Chamber Orchestra and Philharmonic Chorus of Rotterdam in music by Haydn and Fauré (257780)

■ LEIPZIG

Gewandhaus 20.00 Daniel Nazareth conducts the Leipzig Radio Symphony Orchestra in Mozart's Symphony No 40 and Bruckner's Ninth Symphony. Thurs and Fri: Kurt Masur conducts the Gewandhaus Orchestra in Strauss' Don Juan, Dvorak's Eighth Symphony and Tchaikovsky's Violin Concerto, with soloist Frank-Michael Erben (7132 252)

■ LONDON

MUSIC AND DANCE
Sadler's Wells 19.30 Moscow City Ballet production of Giselle. *Season runs till Sat (071-278 8916)*
Covent Garden 19.30 Sian Edwards conducts Nuria Espert's production of Rigoletto, with Leo Nucci in the title role, Giuseppe Sabbatini as the Duke and Mariella Devia as Gilda. The next performances of Rigoletto are on Sep 24, 28 and Oct 1. Sat: Das Rheingold. Next Mon: Die Walküre (071-240 1066)
Coliseum 19.30 David Atherton conducts Tim Albery's production of Billy Budd, with Peter Coleman-Wright in the title role, Philip Langridge as Vere and Richard Van Allan as Claggart, also Fri. Tomorrow and Sat: La bohème. *Thurs:* Werther (071-836 3161)
Royal Festival Hall 19.30 James Lockhart conducts the BBC Concert Orchestra and Central Band of the RAF in music by Shostakovich, Berlioz, Giordano and Verdi, with baritone Mario di Marco. Tomorrow: Sinopoli conducts the Philharmonia. Thurs and Sat: Previn conducts the LSO (071-928 8800)
THEATRE
National Theatre
● *The Miser: Molière's play, in* the Olivier tonight, tomorrow and Thurs, is directed by Steven Pimlott, with a cast led by Charles Kay and Eleanor Bron. On Fri and Sat, Josette Simon is the proud heroine in a glittering production by Philip Prowse of The White Devil, John Webster's tale of Jacobean corruption.
● Richard III: tonight and tomorrow offer a final chance to catch Ian McKellen's award-winning performance in Shakespeare's play, at the Lyttelton. From Thurs till next Wed, McKellen stars in Napoli Milionaria, Eduardo de Filipo's *richly-textured, end-of-war drama.*
● At Our Table: the Cottesloe tonight premieres a new play by Daniel Mornin, directed by Jenny Killick. Thurs, Fri and Sat: The Coup, Mustapha Matura's political satire about revolution in Trinidad. (071-928 2252)
● For ticket information about all West End shows, phone Theatreline from anywhere in the UK: Plays 0836 430959 Musicals 0836 430960 Comedies 0836 430961 Thrillers 0836 430962

■ NEW YORK

BROADWAY THEATRE
Long runners include Neil Simon's family drama Lost in Yonkers (Richard Rodgers Theater), John Guare's dark comedy Six Degrees of Separation (Vivian Beaumont Theater, Lincoln Center), City of Angels, an entertaining combination of musical comedy and private-eye films of the 1940s (Virginia Theater), Miss Saigon, Nicholas Hytner's production starring Lea Salonga and Jonathan Pryce (Broadway Theater) and The *Will Rogers Follies, a popular* American musical directed by Tommy Tune (Palace Theater). Ticketron answers inquiries and sells tickets (246-0102)

■ PARIS

Atelier 20.45 Shakespeare's Richard II, directed by Yves Gasc. Tues to Sat, with matinees on Sat and Sun (1 place Charles-Dullin, 18e. 4606 4924)
Théâtre de la Ville 20.30 Merce Cunningham Dance Company triple bill of recently premiered works, including Beach Birds with music by John Cage. Runs till Sat (4274 *2277*)
Le Funambule Théâtre-Restaurant 21.00 The Bitter Tears of Petra von Kant, a play based on the character created by Rainer Werner Fassbinder. Directed by Jacques Oursin. Runs till Nov 3. Preceded at 19.00 each evening till Sun by Jean Cocteau's telephone monologue La Voix humaine, with Stephanie Baron as the jilted lover (53 rue des Saules, 18e. 4223 8883)

■ VIENNA

Staatsoper 20.00 Heinrich Hollreiser conducts Elektra with Hildegard Behrens in the title role and Christa Ludwig as Klytemnestra. Tomorrow: Cav and Pag with Baltsa as Santuzza (51444 2960)

European Cable and Satellite Business TV

(all times CET)

MONDAY TO FRIDAY
Eurosport
0600-0630 International Business report
CNN
0500-0530 Moneyline
0800-0830 Moneyline
1230-1300 CNN Market Watch
1330-1400 Business Day
2000-2030 World Business Today - a joint FT/CNN production with a review of the day's major business stories with Grant Perry and Colin Chapman
2300-2330 World Business Today
0100-0130 Moneyline
Superchannel
2220 - 2250 (Wed) Financial Times Business Weekly - the latest round-up of business news with James Bellini and Debbie Middleton.
0830 & 2030 (Thurs) Financial Times Business Weekly
Sky News
1200 International Business Report
2130 (Thurs) Financial Times Business Weekly

SATURDAY
CNN
0800-0830 Moneyline
0900-0930 World Business Today - a joint FT/CNN production
1540-1610 Moneyweek
1900-1930 World Business This Week
2110-2140 Your Money

SUNDAY
Superchannel
1800-1830 FT Business Weekly
1930-2000 FT Business Weekly
2330-0030 FT Business Weekly
Sky News
1030-1100 FT Business Weekly
CNN
0710-0740 *Moneyweek*
1540-1610 Your Money
1900-1940 Moneyweek
0040-0110 Inside Business

FINANCIAL TIMES
NUMBER ONE SOUTHWARK BRIDGE, LONDON SE1 9HL
Telephone: 071-873 3000 Telex: 922186 Fax: 071-407 5700

Tuesday September 17 1991

Democracy in Hong Kong

THE very fact that Hong Kong has taken its first step towards democracy with direct elections to its Legislative Council is a welcome, if long overdue, development. But it would be an illusion to present them as an unmitigated success, in spite of the understandable jubilation of the victorious United Democrats, led by the prominent barrister Mr Martin Lee. Under China's Basic Law for Hong Kong, adopted last year, Britain was made to accept conditions under which only 18 of "Legco's" 60 seats would be directly elected this year, rising to 20 in 1995 and no more than 30 in 2003.

Moreover, the turnout of less than 40 per cent of the 50 per cent of the Hong Kong population who had registered to vote was a disappointment. It was hardly an effective rebuttal of the argument that indifference to the whole democratic process is widespread in Hong Kong. That does not alter the fact that the presence of even a limited number of elected representatives – Mr Lee's party and its liberal allies won 16 out of the 18 available seats – will provide some measure of insurance against the territory's public opinion being stifled when Britain gives up control in 1997.

Certainly, the clamour in Hong Kong for more democracy will now grow louder. Mr Lee, who is equally critical of Britain and China, has already said clearly that his party, having received "a mandate from the people", is now entitled to have the majority of the representatives in Legco. That would entail a change in the present rules which provide for 42 members of the council to be nominated by the governor of Hong Kong or to be elected by professional groups.

Herculean task

Mr Lee can be relied upon to put pressure on the British government to try to persuade Beijing to improve the democratic provisions of the Basic Law. This will be a Herculean task, given the difficulties already encountered by London in winning Beijing's acceptance even of the present imperfect system. But the effort has to be made, not only to protect the rights and interests of the people of Hong Kong after China takes over, but to demonstrate that Britain has not abandoned its responsibilities during the remaining years of its stewardship.

The mistakes made over the building of Hong Kong's new airport must be not be repeated. Unrealistically, as it turned out, Hong Kong thought it could go it alone to build the airport, without full prior consultations with the Chinese authorities. In the end, however, Mr John Major, the UK prime minister, had to eat humble pie by going to Beijing to sign an agreement with the Chinese allowing the airport project to go ahead.

Points of principle

Yet the whole affair had its positive side as well. Mr Major proved with his outspoken advocacy of human rights in China that he was not frightened to provoke the wrath of the Chinese on points of principle. The subsequent release by Peking of a leading Hong Kong dissident showed that such tactics can pay handsome dividends, though last week's expulsion of a British correspondent from Beijing cast the regime in its more invariable post-Tiananmen light.

While issues affecting Hong Kong's future should be raised fully with the Chinese, Britain, too, should not hesitate to bring up matters it considers of vital importance in the regular meetings at foreign minister level which have been established specially for this purpose.

China may dig in its heels on granting greater democracy for Hong Kong, as it did in the negotiations on the Basic Law last year. However, its obvious desire for Mr Major to visit Beijing showed that it desperately wanted to regain its international credentials. This remains an effective bargaining chip in Britain's hands.

Greater democracy would provide the best chance for Hong Kong's long-term political and economic autonomy and would make it more difficult for Beijing to perpetrate a Tiananmen-style crackdown. In the absence of an improved electoral system, Hong Kong will be left only with the highly uncertain hope of fundamental political changes in China.

Running London

IF THE UK had wanted to preserve the City of London's dominating position among Europe's capital markets, it should not have promoted liberalisation elsewhere. As it is, deregulation in other centres, encouraged forcefully by the European internal market programme, is helping to create more of an even playing field across the Continent, and encouraging competition for international business.

Liberalisation elsewhere, not excessive regulation in London, explains the conclusion in a survey by the London Chamber of Commerce that London *is set to lose out in relative* - although not absolute terms - to other centres. Foreign banks, for example, are broadly content with the current levels of regulation. At one time, the fear was that the costs of the Financial Services Act would drive them out of town.

But there is one strong message for policy-makers. Bankers are fed up with London's inadequate infrastructure, especially when it comes to transport, and think the capital needs a governing body to co-ordinate its policymaking.

They are right. London does need a strong and independent government. It should be allowed to raise taxes, not least from those who toil in the Square Mile, in order to pay for the improved infrastructure that is sought. Fares should also be raised; and the use of cars for commuting should be taxed. Are the bankers prepared to pay the piper, as well as call for the tune?

Prison challenge

LORD JUSTICE Woolf's report on the prison disturbances of April 1990 was published in February of this year. Together with the chief inspector of prisons Judge Stephen Tumim, he had investigated the riots which almost destroyed Strangeways prison in Manchester and other UK penal establishments. His central proposition – that security and control should be balanced with justice and humanity – was widely welcomed.

Some of Lord Justice Woolf's proposals were implemented immediately – for example, the censorship of letters was abolished for most prisoners. The home secretary announced that the degrading process of slopping out would be ended by December 1994, 15 months earlier than Lord Justice Woolf had recommended. And the government could point with justification to its ambitious and expensive prison building programme to remedy the neglect of predecessors over a long period.

Now, within eight months of the publication of the report, Mr Kenneth Baker has published a white paper which largely endorses the approach of the Woolf inquiry. To have acted so quickly (by the standards of government) and to have accepted the inquiry's findings so comprehensively deserves commendation.

The nagging doubt that remains is over the timetable for ending overcrowding, with cells designed for one still too often shared by three people. Lord Justice Woolf recommended a new prison rule, that no prison should hold more than its certified normal accommodation (an officially-determined figure to measure overcrowding). If it exceeded the limit by more than a marginal amount, this should be reported to parliament by means of a certificate specifying the reasons. While this would not abolish overcrowding, it would inhibit it and focus attention on the problem.

Lord Justice Woolf intended that this new rule should operate from the end of 1992, when it was expected that the prison population would match the accommodation available. Mr Baker has said only that he does not expect overcrowding to end until the middle of the decade. Once the system was in balance, the Woolf report's certification process would then be considered.

It is sad that the government has not found the will to end the blot of prison overcrowding. There are certainly difficulties in limiting numbers when other people – the judiciary – determine the intake. But the Woolf proposals would have provided a firm target date and a mechanism for heightening public awareness of the problem. Ending overcrowding – a significant factor in the 1990 riots – should not be delayed another four years or longer.

Reform of EC farm policy now looks likely, writes **David Gardner**

Axe over the CAP

It can now be asserted with some confidence that the chances of radical reform of the European Community's agriculture regime are better than even.

The European Commission, which in July endorsed the plan of Mr Ray MacSharry, the Irish agriculture commissioner, for the most fundamental overhaul of the Common Agricultural Policy in its 30-year history, at last appears to have seized the initiative.

If Brussels holds its nerve, and by a combination of stealth and boldness gets the substance of its new farm deal through the 12 member states, the consequences will be momentous.

In substance, the complex plan can be summarised as the deepest price cuts the EC has ever contemplated, combined with full compensation to small and medium-sized farmers *and scaled recompense to* large farmers, contingent on the medium-to-large farms taking significant swathes of land out of production. This was also the core of January's even more radical plan which caused a furore within the EC's powerful farming constituency. The main difference now is that compensation is much higher for big farmers – for which they can thank their agriculture ministers.

But the refined plan would still produce manifold benefits:

● The EC's structural overproduction of food – running at about 20 per cent over needs – could gradually be brought under control. The wasteful mountains of beef, grains, butter and skimmed milk powder overhanging EC and world markets, depressing prices and lowering farm incomes, could slowly disappear.

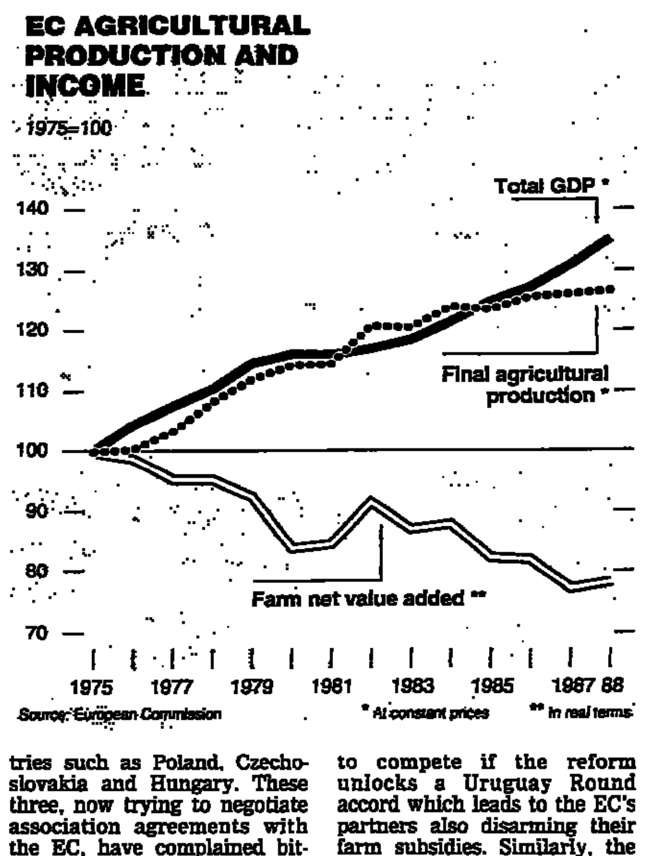
● The EC will have to spend more initially to save on the budget later. But most of the Community's 9m or so farmers would get stable incomes, which would be spread more equitably and help smaller farmers in particular.

● EC consumers would get cheaper food. Last year, according to the Organisation for Economic Co-operation and Development, while agriculture got $49.3bn in support from the EC budget and national treasuries, consumers paid Community farmers a subsidy of $85.1bn. Some agricultural economists think consumers might save as much as a third of this – roughly equivalent to Ireland's gross domestic product.

● The quality of the environment would improve if the plan's provisions to reward less intensive farming are adopted. And the present structure of rural society would stand a better chance of survival if the Commission's ideas for controlling the exodus from the land, and using land for non-food purposes like forestry, are agreed.

● Negotiations in the Uruguay Round of the General Agreement on Tariffs and Trade (Gatt) to free new sectors of world trade, now foundering on the rock of farm trade subsidies, are more likely to be completed if the EC seriously means to reform the CAP.

Moreover, a reformed farm regime is a sine qua non for the EC's enlargement, to include: the predominantly Nordic countries of the European Free Trade Association and, eventually, post-communist, agriculturally-rich countries such as Poland, Czechoslovakia and Hungary. These three, now trying to negotiate association agreements with the EC, have complained bitterly about Community barriers to their farm output.



But these benefits remain in the conditional tense. Next Monday, the 12's agriculture ministers, hostile to the MacSharry philosophy, will meet to pick the plan apart.

Their resolve may be stiffened by howls of outrage from big farm lobbies. At home in Ireland, Mr MacSharry was described by one farmers' leader as "the second Cromwell". In the Netherlands, the plan is vilified as a "euthanasia programme" for farming. But once the farm ministers join real battle on the reform plan, they may find Brussels has them outflanked.

To begin with, the plan creates many more winners than losers. At its core – and the Uruguay Round negotiations – is Brussels' intention to control EC cereals output. The main means of control would be to sever the link between the support paid to farmers and the increasing amounts they produce, by giving subsidies on a per hectare basis calculated on past average yield rather than on future tonnage.

But only 4 per cent of the EC's 4.3m arable producers will be losers under the plan, by having to "set aside" land without compensation. These are the grain barons of the Paris Basin and East Anglia. They have been over-rewarded by the CAP, and should be able to compete if the reform unlocks a Uruguay Round accord which leads to the EC's partners also disarming their farm subsidies. Similarly, the Commission calculates that 86 per cent of the EC's 1.5m dairy farmers, and 80 per cent of its 2.6m beef producers, will fall below the thresholds at which the plan cuts into their output.

Without reform, moreover, *all* farmers will lose. Provisional sums by the Commission suggest that agricultural income will fall a further 23 per cent by 1996. With the swingeing price cuts in the planned reform – of 35 per cent on cereals for instance – income loss would be less by 1996, at about 5 per cent. But with compensation on top, one Commission projection suggests incomes might increase by up to 25 per cent.

Under current arrangements, the more the EC spends, the less farmers get. Of a current annual farm budget of about $40bn, some $9bn is wasted on financing surplus food in storage. About two-thirds of this is lost permanently through depreciation. But much more is lost through the effect of the overhang on prices: the EC will spend about $15bn this year dumping the surplus (as in a recent beef sale to Brazil at one quarter of EC prices).

Reformed spending, by contrast, would get money to farmers rather than warehouses, and devote less to incensing the EC's trading partners. And by any serious yardstick, it would cost less.

This year's CAP budget is Ecu32.5bn, a rise of 30 per cent on last year. It is set to rise to Ecu34.7bn next year. The reform assumes an Ecu4.8bn rise in 1993-96. But immediately thereafter, it would cost less than the present system – if spending on east German farms is included. By 1997, the new policy should cost Ecu4bn *less* than projected expenditure extrapolated from the trend of the last decade.

Farm ministers will, in any case, be in no position to argue that the plan costs too much, having tried and failed to raise this year's (unreformed) budget. Indeed, there is no united front against the Commission. Whatever sound and fury farm ministers emit now, many of their political masters are likely to insist that the rewards of a Gatt agreement for EC industry, and the consolidation of democracy in eastern Europe and the Soviet *Union, are prizes outweighing* the costs of CAP reform. Germany, the premier industrial power, is likely to take this view. Denmark has indicated it will query the detail rather than the substance of the MacSharry plan, and Mr John Major, the British prime minister, is also understood to be inclining to this position.

Mediterranean produce is largely untouched by the plan. Nevertheless, farmers in the south would receive a a big chunk of the 80 per cent of the farm budget spent in the rich EC north. France, the EC agricultural superpower, fears for its $10bn surplus on farm trade and for the structure of its rural society. Some 60 MPs in the government's slender majority are vulnerable to the farm lobby. But France's CAP fundamentalism was ridiculed by its partners 10 days ago when Paris blocked "association agreements" for eastern Europe over 550 tonnes of beef imports. The alternative plan Mr Louis Mermaz, the French agriculture minister, has been promising since February is now much less likely to convince, if he ever produces it.

Commission officials expect the Dutch – originally against the plan but now constrained by holding the EC's rotating presidency – to proceed with the reform agenda piecemeal, rather than as an overall package. But this now appears to mesh with Brussels' tactics of introducing the plan, piece by interlocking piece.

By the end of October, for example, ministers must decide on a Commission proposal – modelled on the cereals plan – to comply with a Gatt ruling on oilseeds subsidies. Despite objections, ministers will find it hard to come up with an alternative and, therefore, hard to avoid being locked into the grand design.

The farm trade access being offered to eastern Europe, three times as generous as the concessions rejected by member states before the summer recess and the Soviet events of August, is now likely to go through, over French objections. As France rightly senses, such concessions are part of the slide towards CAP reform.

Senior Commission officials seem confident. They are already adjusting their farm subsidies offer within the Uruguay Round to the CAP plan. As one Brussels agriculture official puts it: "The Commission is holding the centre ground . . . and that's a comfortable position to be in."

Come home to the fortress

Lionel Barber says US foreign policy is linking odd bedfellows

Come home, America. These were the words Mr George McGovern used to rally opponents of the Vietnam war, and most people might reasonably have guessed that the slogan was buried, along with Mr McGovern, in the 1972 presidential campaign.

Wrong. Today, the McGovern slogan has been revived by an odd alliance of conservatives, neo-isolationists and anti-communists. Each seeks to redefine America's national interest in a world where the Soviet Union is no longer Public Enemy Number One.

The revival of "Come Home, America" – and its counterpart, "America First" – shows that the debate over US foreign policy in the post-cold war era is starting to cut across the familiar liberal/conservative lines. So far, President George Bush, the internationalist *par excellence*, holds sway with his vision of a new world order; but the absence of the "anti-communist" glue signals that changes are under way.

Leading the charge is Mr Patrick Buchanan, syndicated columnist, television pundit and speech-writer for Presidents Reagan and Nixon.

Writing in the Washington Post, Mr Buchanan said it was time Americans asked themselves basic questions: "What are we getting for $15bn in foreign aid? Why, 46 years after the second world war, are we defending Germany and Japan while they steal our markets?"

Among Mr Buchanan's remedies: an end to the US role in Nato; the withdrawal of all US troops and nuclear weapons in Europe in return for a Soviet pull-out from eastern Europe, the Baltic and the Ukraine; a narrowing of the Monroe Doctrine – the rationale for America's right to intervene in the western hemisphere – to north America; an end to foreign aid; an end to the mutual security pact with Japan.

Mr Buchanan still favours a strong US navy, strategic defence against nuclear attack and supremacy in technology. All these demands can be grouped under the slogan: America First – an evocation of the America First committee formed in the 1920s to make sure that the "mistake" of US intervention in the first world war was not repeated.

Mr Buchanan would like to re-form an America First committee, but it is debatable whether he can pull in other neo-isolationists or "neo-realists". Many are worried about the extremes to which he takes his isolationism – captured by his calls for tighter immigration controls and for "sealing" the Mexican border. Nor do they have much time for his Japan-bashing, which critics say comes close to protectionism and underplays the importance of US economic (as opposed to military) engagement overseas.

Yet many conservatives and fellow Republicans share Mr Buchanan's doubts on whether Mr Bush's pursuit of stability as the central goal of US foreign policy is enough to capture the hearts and minds of Americans. Mr Ted Carpenter, a foreign policy expert at the libertarian Cato Institute in Washington, argues that Mr Bush's desire for a new world order amounts to preservation of the status quo. How far this is sustainable when the break-up of the Soviet Union and the rise of nationalism pose the threat of instability, is open to question. More seriously, upholding the status quo risks plunging the US into regional disputes which do not affect vital American interests, Mr Carpenter adds.

Patrick Buchanan: isolationist

Inside the administration, the fashionable talk is still of America as the sole superpower. Mr Bush constantly talks about America toiling to do the "hard work of freedom". But to critics such as Mr Carpenter, this all smacks of the failed internationalism of former President Woodrow Wilson after the first world war. Like Mrs Jeane Kirkpatrick, former US ambassador to the United Nations, Mr Carpenter is a good deal less ambitious: he wants to see the US become a "nation among nations", not a hegemonic power.

The most serious critique of Mr Bush came from Mr William Hyland, editor of Foreign Affairs magazine and a leader of the Atlanticist/anti-isolationist establishment. In a recent article, Mr Hyland urged Mr Bush to reassess the balance between domestic and overseas commitments and focus more on pressing long-term problems such as the budget deficit and education. "The enemy is not at the gate, it may already be inside," said Mr Hyland.

Mr Bush knows he may be vulnerable on these issues – which is why he is stomping around the US and talking about domestic policy. But he remains strong and popular. Mr Buchanan may insist that his brand of neo-isolationism is the wave of the future; but having opposed the war in the Gulf, he found himself sitting alongside his old opponent Mr George McGovern. No wonder he has ruled out running for the White House next year.

OBSERVER

Homeward bound

■ Spain has tried with only occasional success to re-establish a worthwhile role for itself in Latin America, 500 years after Columbus "discovered" it. Now, there is speculation that it is going for something special: the place in history that awaits whoever smoothly extricates Fidel Castro from Cuba.

That role may fall to 68-year-old Manuel Fraga who is still better known for his spell as General Franco's colourful information minister in the sixties than for his current role as democratically elected president of the autonomous Spanish region of Galicia.

Fraga sets off next Monday for a week in Cuba where his father, then just one of thousands of Galician emigrants, met his Basque mother. Fidel's own parents also emigrated from Galicia. General Franco was yet another Galician, which helps explain his regime's excellent relations with communist Cuba despite his loathing of the hammer and sickle. Castro himself has never seemed entirely comfortable with Spain's democratic leaders.

The Fragas came back to Galicia to start a family. The Castros decided to have theirs on the island. Had the two men not been able to follow each other's exploits through the press for the last three decades, what tales they would have to tell each other.

Fraga could thus be an ideal conduit for the message Prime Minister Felipe Gonzalez is keen to get through to the ageing Cuban dictator – that were he thinking of a suitable retirement spot, there could be a place for him in Spain.

Its government is denying rumours that its messenger will formally offer Fidel asylum, but Gonzalez had a long talk with Fraga in Madrid last week and is likely to have asked him to help the Cuban leader to realise his time is probably up.

After all, Fraga is living Galician proof that life after dictatorship need not be terribly dull.

Marked out

■ If Fidel is considering his options for the future, he might be advised to rule out any thoughts of setting up a newspaper. The experience of comrades in former East Germany suggests this is a bad moment for enterprise; Neues Deutschland, once the East German government voice, announced yesterday that it faces bankruptcy.

Its circulation has crashed from 1m to 100,000. Its owner, the Party of Democratic Socialism, reckons it needs $3.6m to tide it over until 1992 when it believes it will start to show profits again.

Stiff competition for east Germany's 16m readers has already closed several of Neues Deutschland's rivals.

The newspaper never had much claim to fame. Perhaps its most memorable feat was an issue which carried 39 different photos of the former hardline communist leader Erich Honecker, now diplomatically unwell in Moscow. Perhaps Britain's Daily Mirror, which in the past has frequently carried a number of pictures of its proprietor Robert Maxwell, might sense a business opportunity.

Double reverse

■ Hanson is famous for not over-rewarding its financial advisers. Lazard Brothers, the merchant bank, and Dewe Rogerson, the financial public relations firm, were both taken on to advise the hungry company on how to manage its "investment in ICI", the chemicals giant. Both admit privately that the attraction was not the fees.

"If Neil Kinnock didn't exist, how would you vote."

So there was a sharp intake of breath at both City firms yesterday when Hanson made its agreed takeover offer for Beazer, the building group. Lazard and Dewe Rogerson were also advisers to Beazer's housebuilding subsidiary, CHB, which was going to be floated on the London stock market in just 12 days. The float is now off, barring miracles. Both firms will be submitting bills to CHB.

Observer hopes they get something for their pains.

Long odds

■ Horse racing is an unsentimental business. This lesson was well learned at the weekend by David McErlain, one of a handful of eighties entrepreneurs to enter the nineties still prosperous.

Coalite, the smokeless fuel subsidiary of his company, Anglo United, sponsored the last classic race of the season, the St Leger, last Saturday. McErlain decided to mark the sponsorship deal by commissioning a new trophy.

Irish by descent, he decided on a crystal cup designed by the Republic's finest producer, Waterford. The baroque masterwork arrived on Friday night. But the inscription, perhaps drafted by an accountant, read "St Ledger".

A replacement, this time with no inscription, was flown in at the last possible moment on Saturday. As a price for the error, McErlain hopes Waterford will donate the original trophy to sit among his boardroom collection of clangers. Pride of place in the collection is a press cutting describing his company's multi billion pound bid for BAT Group. Ambitious he may be...

Missing links

■ Freudian slips sometimes bedevil the best of businesses. Gerald Ratner was in subdued mood at yesterday's interim press conference, but that did not prevent him from dropping an unfortunate clanger.

Asked whether he could make any comment on rumours of a bid from Kingfisher, he prevaricated before saying: "We've looked at our share register, which is all we can do, and there is no evidence of anyone buying our shares". His finance director was quick to interject that Gerald meant no-one was stake-building.

Hold up

■ Albanian deputy prime minister Gramoz Pashko was yesterday delayed several hours at Brussels airport, because his personal guards carried guns but no visas.

The Albanian VIP will today attend a joint conference on his country's economic needs – more butter than guns, perhaps – hosted jointly by the Group of 24 western aid donors and the United Nations Development Programme.

An American red light for Shamir

President Bush's move over US loan guarantees has stunned Israelis, writes Hugh Carnegy

Israelis have long been accustomed to the idea that the large infusion of US financial aid which keeps their economy afloat comes without strings attached. In the last few days, they have been shocked to discover that this may no longer the case.

The alarm stems from President George Bush's blunt statements at a White House press conference last Thursday signalling his determination to block consideration of US loan guarantees for $10bn in borrowing Israel wants to fund Jewish immigration from the Soviet Union. Mr Bush wants the guarantees delayed until after a Middle East peace conference planned for next month.

But Israelis' worries go deeper than the immediate issue; they fear the American president is engaged in redefining the very foundations of the US-Israeli relationship. Mr Bush touched several raw nerves last week: he reminded Israelis not just that the US had in the Gulf war destroyed their most threatening Arab enemy; he added that US soldiers manning Patriot missile batteries in Israel had defended them with their lives against Iraq's Scud missiles.

He pointed out that the US was already spending $4bn in aid to Israel this year – or "$1,000 for every Israeli man, woman and *child*". He suggested the US Jewish lobby's action in pressing Congress to consider the loan guarantees was against American interests.

Israelis, unaccustomed over the years to more than gentle presidential reprimands, were stunned. "Last night we saw an angry, fuming Bush fiercely pounding his fists on the lectern in front of him," wrote columnist Yoel Marcus in the newspaper Ha'aretz. "It is hard to remember such an angry public appearance by an American president since Eisenhower presented us with an ultimatum to withdraw from the Sinai in 1956."

Above all, the government was shocked that for the first time a US president was clearly using economic aid to Israel as a weapon to extract political concessions. At the very least, he had posed a direct challenge to the hardline policies of Mr Yitzhak Shamir and his right-wing government. "For us it is a red light," acknowledged an official close to the prime minister.

Mr Shamir's government has been thumbing its nose at President Bush for months, ignoring repeated signals that administration patience was running out in the belief that support for Israel in Congress would deter a presidential challenge. On the loan guarantee issue, Mr Shamir brushed aside repeated entreaties from Mr Bush and Mr Baker to delay. Undoubtedly more significant, though, was the way his government blithely ignored the US administration's strong views on Jewish settlements in the occupied territories.

Source: US Government Publications
* Includes emergency support during Gulf war

President Bush repeatedly declared that the settlements were an obstacle to the administration's painstaking efforts to arrange a Middle East peace conference. But the government – mainly through the efforts of Mr Ariel Sharon, the housing minister – stepped up the pace of settlement building.

According to opposition estimates, the government spent at least 1.5bn shekels in the West Bank and Gaza last year, chiefly on settlements, a figure likely to double this year. Most provocative, on several occasions new settlements were deliberately started on days when Mr Baker made one of his repeated peace missions.

In seeking to delay the loan guarantees, Mr Bush wants to force a halt to all Israeli settlement building in the occupied Arab territories.

Mr Shamir knew his relations with President Bush were cool – much cooler, for example, than with the demonstratively pro-Israel President Reagan. Mr Shamir was well aware that his insistence that the settlements had no bearing on the peace process cut no ice with Washington. But he never appeared seriously concerned that President Bush would turn in the direction of what amounts to sanctions against Israel.

The implications are potentially enormous. US aid has become a vital prop to Israel's economy and is at the centre of the government's calculations on how it is to pay for the huge influx of Soviet immigrants under way for the last 18 months.

It is by far the biggest recipient of US foreign aid – and the world's biggest per capita aid recipient – followed by Egypt after the Camp David peace accords were signed in 1979. The two together account for 40 per cent of US overseas assistance.

Since the early 1980s, all US aid has been in the form of grants, not loans. At one stage, it accounted for 18 per cent of Israeli GNP, although the figure has fallen to less than 10 per cent now. Without it, Israel would not be able to sustain the current high levels of defence and welfare spending.

The extra aid for immigration is requested in the form of loan guarantees, not actual loans. But without the guarantees, Israel's ability to borrow in the amounts and at the price it wants would be compromised. Government ministers have said Israelis would rather suffer deprivation to pay for immigration than accept unpalatable US political conditions. But Mr Shamir is reluctant to take the electoral risk of forcing a significant drop in standards of living to pay for the newcomers.

How, then, will hereact to Mr Bush's challenge? Extreme right-wing ministers in his coalition – including Mr Sharon – are urging him to boycott the peace process until the guarantees are approved. Virulent attacks on Mr Bush have emanated from the government; one minister came close to accusing himof anti-semitism.

The opposition, headed by the Labour party, has joined in condemning the administration's linkage of political issues to what most Israelis regard as a simple humanitarian task of absorbing Jews who want to leave the now disintegrating Soviet Union. But it also argues strongly that Mr Shamir is to blame by so antagonising President Bush. Labour says he should quickly freeze settlement building and make peace and immigration the clear priorities.

Mr Shamir does not see it like that. He will not abandon his commitment to the West Bank and Gaza. Even if he was willing to freeze settlements, which is doubtful, his government might not survive such an ideological *volte face*.

He is now deeply suspicious of Mr Bush, noting that it was the US president, not any of the Arab countries, who said the loan guarantees were a threat to the peace conference. "He is out to whip the Israelis, not the Arabs. This is not an even-handed approach," said a Shamir aide. "It means we have to be more cautious."

Mr Shamir wants early assurances on the loan guarantees because he is now afraid that even after the 120-day delay, President Bush will continue to use them as a political weapon in the peace process.

Mr Bush is indeed playing a longer game. The Middle East peace conference, after all, is only a curtain raiser for direct talks between Israel and her Arab neighbours. It is quite possible that, by next January, when direct talks are under way, the US will suggest a series of "confidence building" measures centred around a freeze in Israeli settlements.

According to one US official, the US could make Mr Bush's support for the loan guarantees conditional on Israel accepting a settlements freeze in return, say, for some reciprocal concession such as lifting of the Arab economic boycott against Israel. This in turn is intended to create an in-built dynamic forcing mutual concessions from the parties in the interests of a lasting settlement. Such a settlement may have eluded successive US presidents, but Mr Bush has made it a deep, personal challenge.

The Israeli prime minister is not a man to give ground. He will continue to try to secure extra aid without making big concessions on the peace process. He has one possible escape route in the form of elections. The popularity of his Likud party is strong and he could engineer an election before the due date of November 1992.

But today, as he marks the start of Yom Kippur, the Jewish Day of Atonement, he knows he faces for the first time an American president prepared to make Israel face the hard political choices it has consistently ducked since it conquered the occupied territories in 1967.

Additional reporting by Lionel Barber in Washington

Joe Rogaly

Kinnock's last hope

I'll tell you what is wrong with Mr Neil Kinnock. There is nothing wrong with Mr Neil Kinnock. Well, not very much. You may disagree. According to the latest Harris poll in the Observer some 38 per cent of the electorate say they do not like him. The equivalent figure for the prime minister is 8 per cent.

The Labour leader cannot blame that extraordinary disparity entirely on the vicious end of the Tory press. His unalloyed personality is visible on TV. Lately he has looked tight and constrained in his best suit, held in check by his sense of self-discipline. The next moment Mr Major, relaxed in short sleeves and open-neck shirt, smiles the famous smile. The public sees them both. We know the result. Yet viewed as the manager of an enterprise, the Labour leader has been a huge success. At best, he has rescued the Labour party from near-extinction. At worst, if my hunch is right, he has postponed an extinction that may be historically inevitable.

Politically bankrupt eight years ago, Labour stands a chance, albeit a slim one, of winning the most seats in the next election. Mr Kinnock's tragedy, and the Labour party's, is that it is more likely to lose, and then start to disintegrate. But you have to blame that on contemporary history, not the Labour leader.

These are guesses. We must go back to the beginning to appreciate how well Mr Kinnock has done so far. Labour was very nearly wiped out in June 1983, when its popular vote shrank to 8.5m. The Liberal/Social Democratic alliance attracted 7.8m votes. Labour's share dropped to 27.6 per cent, lower than in any election since 1918. Mr Michael Foot, then leader of the party, wisely stepped down. On October 2 the previously unheard-of Mr Kinnock replaced him.

By 1987 Labour, a shambles under Mr Foot, was in some order. It boasted a smooth campaigning machine. Its policies were not quite so red, wild and woolly as those of 1983, but they continued to include widespread nationalisation, unilateral nuclear disarmament, and a distinctly hostile attitude to the European Community. The close ties with the trade unions, not to mention the willingness to meet their every demand, were still in evidence, much as they had been in 1979. The party attracted another 1.5m votes, to make 10m, or just 31 per cent of those cast.

It was clearly not good enough. Mr Kinnock did what any competent manager would do. He set out to change the product. Unilateralism was abandoned. Membership of the EC was enthusiastically embraced. Most thoughts of nationalisation were jettisoned. The language of the market was, somewhat

The Labour party may have became social democratic 20 years too late

gingerly, introduced. The ties to the trade unions were delicately loosened. Extreme left-wing militants were vilified and expelled. The upshot is that what was a socialist party has became a more or less social democratic party.

The renewed and repackaged Kinnock party has been skilfully managed. Its presentational expertise, built up by its legendary former director of communications, Mr Peter Mandelson, has become the envy of the other parties. Mr Mandelson has moved on, but his machine has continued to turn over. Until a few weeks ago the result was that Labour could convince itself that it might very well form the next government. It had a long run of poll scores showing 40 per cent or more of the electorate willing to vote for it, and it thought it could count on an equally long run of Conservative misfortunes continuing until voting day.

Now the polls are turning in the Conservatives' favour. Why? We know the factors working for the Tories – the return of some economic optimism, the skilful exploitation by Mr John Major of his role on the world stage – but is that the whole story? Some people are talking about Labour "peaking too soon". Others, myself included, ruminate about the end of socialist thinking following the dissolution of the communist empire. We wonder whether the Labour party became social democratic 20 years too late, whether liberalism is now the natural counterpoint to conservatism.

There is another, more mundane, view. It is that all the above is commentators' eyewash. This down-to-earth assessment starts with the Monmouth by-election, which the Tories lost on May 16. A Conservative majority of 9,350 in 1987 became a Labour majority of 2,406. The 13 per cent swing against the government was enough to put Labour into power with a comfortable majority.

At that time the Labour publicity machine was working well. The Conservatives, by comparison, seemed like bumbling amateurs. After Monmouth the Tories took fright, while Labour became complacent. Mr Major appointed four close colleagues to meet daily to plan campaign strategies and manage the news. The canny Mr John Wakeham enhanced the team. Labour continued with its constant series of launches and presentations but the steam seemed to have gone out of them.

The Tories were thus well placed to make the best of the extraordinary events of August, which thrust their prime minister into the limelight. Labour seemed unable to cope, particularly while Mr Kinnock was on holiday. There has not been a complete reversal. Labour may be less well co-ordinated than it was, but it is neither bumbling nor amateurish. The party is not, however, currently matching the Conservatives' performance.

If this view is correct Mr Major should not even think of a November election. For there could be another reversal of fortune, this time in Labour's favour. I believe it will be difficult for the party to recapture its former momentum, but it will have a chance to do so at the forthcoming conference in Brighton. Mr Kinnock may be down, but he is not out, not yet.

LETTERS

Minorities and independence for Ukraine

From Mr Eugene M. Iwanciw.

Sir, Edward Mortimer, in his article, "A fair deal for minorities" (September 4), fails to recognise a number of significant points in his comments about the Ukraine.

First, the Ukraine has a large Russian minority. While Russians comprised 6 per cent of the population of Ukraine in 1949, it is 22 per cent today. Yet Ukrainians still comprise a majority in every *oblast* (political division) in the Ukraine except the Crimea. The Soviet government tried to destroy Ukrainian national identity by the very "acts of genocide" and "mass expulsion" which Mr Mortimer wishes now to avoid.

Second, there is no indication that Russians in the Ukraine feel threatened by Ukrainian independence. Volodymir Gryniov, the Ukrainian parliament vice-chairman, is ethnically Russian, a member of the democratic opposition, and a strong supporter of Ukrainian independence.

Third, on November 19 1990, the chairmen of the Russian and Ukrainian parliaments, Boris Yeltsin and Leonid Kravchuk, respectively, signed a treaty which both parliaments have ratified. Mr Yeltsin's warning of renegotiation of borders violates article 6 of the treaty which committed the parties to "respect the territorial integrity of the Ukrainian SSR and RSFSR inside the borders presently existing".

Fourth, there is a significant Ukrainian minority population within other republics, including more than 1m Ukrainians in Moscow. I have yet to hear chairman Kravchuk or "his spokesman" reserve the right to renegotiate borders to protect their rights.

The issue is democracy *and* self-determination. As history demonstrates, an imperialist Russia is as much a threat to the Ukraine's independence as is a communist Soviet Union.

Eugene M. Iwanciw.
Ukrainian National Association, Inc.,
Suite 859,
400 North Capitol Street, NW,
Washington, DC 20001, US

Fax service
LETTERS may be faxed on 071-873 5938. They should be clearly typed and not hand-written. Please set fax machine for fine resolution.

Plea for full information for all shareholders

From Mr R Turner.

Sir, Your report ("Clumsy attempt at passing the hat", September 12) on the reaction by institutional investors to the results of and rights issue by BAe brought out, once again, the question of what, when, and how share price-sensitive information should be made available by companies. You reflected the prevailing view that there is a privileged group of shareholders called institutional shareholders who have a right to foreknowledge denied to other investors.

If the London capital market is not to descend further into the mixture of "old boys' club" and "yuppies' nursery" it is in danger of becoming, such assumptions must be questioned. It may be perfectly proper to criticise company chairmen for issuing inappropriate bullish annual reports and doing little between these annual events to keep investors informed. It is not proper to encourage companies to supply information to institutional investors that they are not prepared to place in the public domain.

The capital market is already bent to favour the institutional investor in ways that will lead eventually to the demise of the individual shareholder. The spectre of having to pay the institutional premium for the opportunity of investing in British industry is not one I relish. The performance of institutional investors in the past few years, despite their access to privileged information, is not one of which they should be proud. A look at any list of investors in some of the more spectacular financial débâcles of recent years will give some idea of the quality of investment management currently deemed acceptable.

Until we are treated to the luxury of realistic quarterly reports and appraisals of future prospects by companies to all shareholders we are likely to continue to face the 20 per cent fluctuations in share prices such as that of BAe in the first 10 days of September. In the meantime we will presumably continue in the Mickey Mouse world where the financial management of British industry is run via whispers in high-class restaurants between over-privileged investment gurus.

R Turner,
4 Cheltenham Street,
Old Basford,
Nottingham, NG6 0ES.

Channel tunnel to the north

From Mr R F Cross

Sir, Ian Hamilton Fazey's claim (Lombard, September 12) that the Channel tunnel is irrelevant for northern England's business community is incorrect. The Humber ports are ideally situated for certain European traffic and their revival, which owes much to the demise of the National Dock Labour Scheme, is good news. Improved trans-Pennine links will ensure the north-west shares these benefits.

For journeys to much of Europe, the Channel tunnel, and the fast freight routes it will provide, will be the north's life-line. Wakefield to Turin in 25 hours, for example, will provide big opportunities for northern business. That is why it is vital that planned intermodal freight villages are in operation when the tunnel opens.

Road freight, via the Eurotunnel shuttle, will carry many of the north's exports. For this reason the M25 improvements are as vital to us as to the south-east.

R F Cross,
regional director,
Freight Transport Association,
Springwood House, Low Lane,
Horsforth, Leeds LS18 5NU

From Mr James Towler.

Sir, Ian Hamilton Fazey made a good point when he implied that the Channel tunnel could prove a boon to the port of Hull as northern England's gateway to Europe.

However, the north-west CBI's case for "two new trans-Pennine motorways" seems flawed when there is capacity on existing trans-Pennine rail routes and scope for expansion by reinstating the Woodhead route where the tunnel was built to Bern gauge standards.

James Towler
25 Moseley Wood Lane,
Cookridge, Leeds LS16 7ER.

Academic view of low value in the City

From Mr William Wallace.

Sir, Over the last decade academics have been exhorted to get out of their ivory towers and sell their skills in the market-place. To give us added incentive, the real value of our salaries has been reduced to a point where the lecturer scale approximates to the metropolitan police constable scale, the professorial to the sergeant.

I, like others, have responded by travelling the world to consult and to lecture, for valued fees, to American, German and Japanese companies and government agencies. Our students bear part of the cost of this, of course, with university teachers absent during terms,but it could be argued that they gain from the greater familiarity of social scientists with the policy world and of scientists with research applications elsewhere.

As a specialist on European international politics I have had many contacts with the business and policy communities. Among these, contacts with City institutions have stood out.

In the spring of last year a leading stockbroker asked me to brief a large group of its staff on the implications of developments in eastern Europe for west European political and economic interests. *Inquiry as to the fee met* with puzzlement; they offered, I was told, an excellent lunch "and the opportunity to make some interesting new contacts".

This summer a firm of City solicitors invited me to brief 40 of its staff on the European Community's current policy agenda.On quoting a fee equivalent to what the British government offers lecturers to its top management course I was informed that this was "rather out of line", and asked "whether you would be willing to reduce your fee on this occasion".

Can any of your readers explain why some in the City still believe in a free lunch, or why the academic world should accept lower fees from them than from the public sector or from their foreign competitors?

William Wallace,
European Studies Centre,
St Antony's College,
Oxford 0X2 6JF

FINANCIAL TIMES
Tuesday September 17 1991

Victorious democrats demand direct voting for all seats in Legislative Council

Hurd vow to Hong Kong on elections

By Robert Mauthner, Diplomatic Editor, in London

BRITAIN will work for a progressive extension of democracy in Hong Kong over the next few years following the sweeping victory by democrats in the colony's first direct elections, Mr Douglas Hurd, the British foreign secretary, said yesterday.

It is understood that the British government will seek, at a propitious moment before 1997 when Britain is due to transfer sovereignty over the colony to China, to renegotiate elements of the Hong Kong constitution relating to direct elections.

The government's aim would be to increase the number of directly elected representatives in the Legislative Council (Legco) allowed under the Basic Law for Hong Kong, the constitution negotiated between Beijing, London and the colony.

Under the present provisions in the Basic Law the directly elected seats will be raised to 20 in 1995 and 30 in 2003, only half the total number.

The United Democrat party and its liberal allies, led by Mr Martin Lee, won 16 of the available 18 seats. But Mr Lee immediately made it clear that he wanted all 60 seats of Legco to be directly elected. The remaining 42 Legco members are either nominated by the colony's governor or elected by professional groups.

Addressing a conference in London on the future of Hong Kong organised by the stockbroker Smith New Court, Mr Hurd said the British government had two main aims: it wanted to see steady progress towards a greater degree of direct elections in Hong Kong; and it wanted this process to be sustained without interruption after the transfer of sovereignty to Beijing in 1997.

Mr Hurd said that Mr Martin Lee and his allies fought a lively campaign based on a call for faster democracy. "I hope that the Chinese government, having acquiesced in this step forward into direct democracy, will come to terms with the outcome."

However, the Hong Kong election result received a much less enthusiastic welcome from the Chinese government's representative at the conference. Lu Ping, director of the Hong Kong and Macao Affairs Office of China's State Council, said that Mr Lee's victory was a very controversial figure, "even in Hong Kong," and that his victory could not be taken as representing "the political orientation" of the territory.

"I think the development towards democracy should be a gradual process," he said. "It will require a period of time."

Yet in most other respects, Lu Ping gave a very reassuring picture of Beijing's attitude to the future of Hong Kong. Mr Lu Ping stressed that Deng Xiaoping's remarks in 1984 to Sir Geoffrey Howe, then British foreign secretary, that Hong Kong's prosperity and stability could be guaranteed only by the continuation of its capitalist system, remained as true today as they were at the time.

Background, Page 4
Editorial Comment, Page 20

Senate rejects treaty extending American leases on naval and air bases

Philippines vote to evict US military

By Greg Hutchinson in Manila

THE PHILIPPINES Senate voted yesterday to evict the US military from the Philippines. The vote came on the day a 25-year lease allowing US use of defence facilities in the country expired.

The upper house rejected by 12 votes to 11 a treaty extending the US lease of Subic naval base by 10 years and Clark Air Base for another 12 months. Approval of the treaty would have required a two-thirds majority, or 16 votes.

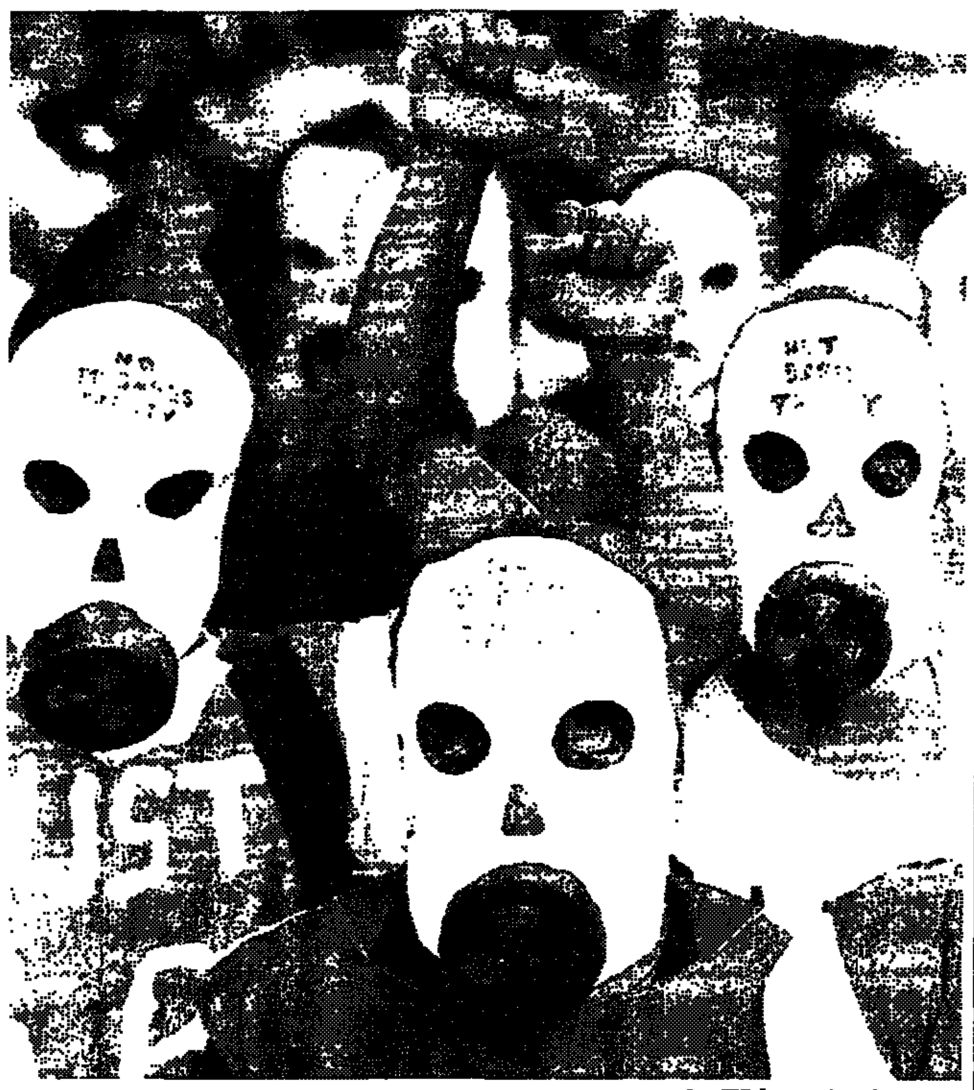
In spite of losing its legal mandate, Washington did not immediately announce a withdrawal, prefering to mark time as president Corazon Aquino manoeuvres to try to overturn the vote via a referendum.

"We stand fully behind the president and her continuing effort to put in place the new treaty," said Mr Stanley Schrager, US embassy spokesman. "In view of the referendum that Mrs Aquino has called for in December, plans to close Subic naval base and Clark Air Base are on hold."

In Washington, the State Department said it was disappointed by the vote, adding: "We support Mrs Aquino's efforts to find a way for the Philippine side to ratify the agreement. Obviously with the Philippine Senate's rejection of the agreement we will be looking more closely at the necessary preparations for withdrawal."

Mrs Aquino vowed on Sunday night to gather 3m voters' signatures, which she says are enough to authorise a nationwide referendum under an untested "people's initiative" law. Mrs Aquino was also to hold an unscheduled cabinet meeting today on the referendum issue, where she is also expected to face opposition.

Constitutionally, her stand is open to question. The 1986 constitution she helped put in place has a strong anti-bases bias. It specifically bans foreign troops on Philippines soil beyond 1991 if their presence is not the subject of a Senate-ratified treaty. Should the treaty pass the Senate, the people are specifically given a further say, but not if the upper house rejects such a pact.



Ban the bases: Masked Filipino demonstrators rally against the US bases treaty

Politically she is stronger, having the electoral machinery to push a vote in a population – outside the capital at least – which has a continuing affection for the American GI.

If the treaty is not ratified, Manila stands to lose tens of thousands of jobs, at least $2.2bn in payments for the bases, lucrative trade access arrangements and possibly a plan to restructure $5.3bn of foreign commercial debt.

Those opposed to the treaty say the pact contravenes anti-nuclear and anti-war provisions in the constitution.

"It's as though the Cold War was not yet over," Senator Jovito Salonga, the Senate president, said of the treaty, adding: "September 16 1991 may well be the day when we in this Senate found the soul, the true spirit, of the nation."

Home to the fortress, Page 20

Swedish government resigns after poll defeat

By Robert Taylor in Stockholm

SWEDEN'S Social Democratic government resigned yesterday after its heavy defeat in the general election on Sunday, but Mr Ingvar Carlsson, the Social Democratic prime minister, agreed to stay on in a caretaker role until a new non-socialist government can be formed.

Mr Carl Bildt, leader of the conservative Moderate party, is expected to try to form a coalition government within the next few days to avoid any political instability.

The five non-socialist parties hold 195 seats between them in the 349 strong parliament against 154 for the left block made up of Social Democrats and Communists.

But what looks like a comfortable non-socialist majority is deceptive. As many as 25 of its seats are from the populist rightwing New Democracy and some of the other non-socialist parties are refusing to join together in a government if this means co-operating in any way with New Democracy. Without New Democracy's support the non-socialist block is five short of an overall parliamentary majority.

The speaker of the parliament, who is constitutionally responsible for facilitating the formation of the Swedish government, met the party leaders one by one yesterday.

The new parliament is due to elect a speaker on September 30 and to be opened the following day by King Carl Gustaf XVI. But a non-socialist government is not expected to be able to take office before October 3 or 4 at the earliest, with a debate on its administrative programme due six days later.

Moderate party leaders hope Mr Bildt will have formed a non-socialist minority government within three weeks, but his task could be made very difficult if his close ally, Mr Bengt Westerberg, the Liberal leader, continues to insist that his party will not serve in any administration dependent for its majority on the support of New Democracy.

The Liberal party executive is due to meet on Friday to discuss its next move and it will come under increasing pressure to drop its objections to New Democracy and join the Moderates in a coalition. Some prominent Liberals have complained about Mr Westerberg's attitude.

Mr Bildt, who cycled to parliament as usual yesterday, said he still hoped to form a non-socialist minority coalition, although the election result had made that outcome much harder to achieve. It is possible the Christian Democrats would be ready to join a non-socialist coalition government, but only if the Liberals agree to this.

Both sides of Swedish industry reacted predictably to the result. The employer organisations welcomed the prospect of a non-Socialist administration for business, with the prospect of tax cuts on capital, more privatisation and reductions in public spending, while some union leaders warned of the dangers of labour conflict ahead.

On the Stockholm bourse share prices fell in early trading but picked up later in the day, although the general index was 0.9 per cent down on the day.

Wind of change, Page 3

Baker sees Shamir on peace talks and loans

By Hugh Carnegy in Jerusalem

MR James Baker, the US secretary of state, yesterday held more than three hours of talks in Jerusalem with Mr Yitzhak Shamir, the Israeli prime minister. The talks centred on the planned Middle East peace conference and the row between Israel and the Bush administration over US loan guarantees to fund Soviet Jewish immigration.

Mr Baker later met Palestinian representatives and was expected to resume talks with the Israeli side today.

Mr Yossi Ben-Aharon, director of the office of Mr Yitzhak Shamir, the prime minister, said before Mr Baker arrived that President George Bush had harmed the peace initiative by insisting that the loan guarantees – to cover $10bn in borrowings – should be delayed until after the peace conference.

Demonstrators greeted Mr Baker with a volley of tomatoes which managed only to hit a police escort car.

The dispute was set to figure prominently in Mr Baker's talks last night with Mr Shamir and other senior ministers. Mr Shamir has refused to accept any link between the peace process and the loan guarantee request. He is anxious to avoid any US attempt to use financial pressure to extract political concessions.

Israel radio reported after an initial meeting between Mr Baker and Mr David Levy, the foreign minister, that they agreed that the peace initiative should not be allowed to collapse over a separate issue.

It was Mr Baker's seventh visit to Israel since he set out to achieve a breakthrough in the Arab-Israeli conflict shortly after the end of the Gulf war.

Apart from the loan guarantees, Mr Shamir was seeking written assurances from Mr Baker on a number of procedural concerns about the proposed peace conference. Mr Baker's hardest task is to reconcile Israel's demand that it can veto Palestinian delegates to the talks and Arab demands that the Palestinians choose their own representatives without interference from outside.

Soviet central bank to go

Continued from Page 1

London yesterday, but was more forthcoming on rescheduling the Soviet foreign debt, which he described as "an idea that crossed peoples minds but which it would be better to avoid".

He told a meeting of bankers from east and west Europe organised by the Vienna Council, an east-west business association, that "it would be better to come to a solution where rescheduling was not necessary".

However, he said, the Soviet Union faced a liquidity squeeze which had to be dealt with. This followed a Rbs9.3bn fall in reserves this year (equivalent to $15.5bn at the artificial "commercial" rate of exchange) because of non-renewed credit lines and declining foreign trade.

Mr Gerashchenko appeared to rule out a rescheduling approach to commercial banks, especially Japanese and US banks which he accused of "unfriendly behaviour" during last month's failed coup attempt. Instead, he suggested that the main government-backed export credit guarantee departments such as Coface, Hermes and the ECGD might "think of postponing" repayment of debts falling due in 1991 and 1992.

Armed escorts for UN

Continued from Page 1

This course of action is viewed as preferable to selective bombing of Iraqi sites since it can be justified as enforcing existing UN resolutions. Renewed military action – even under UN auspices – would be much more controversial and could damage other US goals such as a Middle East peace conference.

The UN teams have been seeking access to Iraqi chemical, nuclear, biological and ballistic missile sites. Their task was made more difficult after it was disclosed that Iraq's nuclear weapons capability was much more advanced and extensive than first thought.

Iraqi newspapers have regularly denounced the work of the last nuclear inspection team, charging that its goals were political and that the requested use of helicopters was an unacceptable breach of Iraqi sovereignty.

Mr Brent Scowcroft, Mr Bush's national security adviser, said at the weekend that the US would not rule out using troops if Iraq failed to comply with existing UN resolutions. "We're looking at it, and we take it very seriously," he said, "and we think it is important that Iraq comply with the resolutions of the Security Council."

WORLDWIDE WEATHER

		°C	°F
Ajaccio		–	–
Algiers	S	29	84
Amsterdam	C	17	63
Athens	S	27	81
Bahrain		–	–
Bangkok	C	32	90
Barcelona	S	27	81
Beirut	S	29	84
Belfast	R	19	66
Belgrade	F	21	70
Berlin	C	22	72
Biarritz	S	26	79
Bombay	F	30	86
Bordeaux	S	28	82
Boulogne	R	18	64
Brussels	F	19	66
Budapest	S	22	72
Buenos Aires	R	13	55
Cairo	S	32	90
Cape Town		–	–
Caracas	C	28	82
Casablanca	S	26	79
Chicago	R	22	72
Cologne	F	22	72
Copenhagen	F	18	64
Corfu	R	23	73
Dallas	S	23	73
Dublin	F	18	64
Dubrovnik	S	26	79
Edinburgh	C	20	68
Faro	S	31	88
Florence	S	26	79
Frankfurt	F	23	73
Geneva	S	23	73
Gibraltar	F	26	79
Glasgow	C	19	66
Helsinki	F	17	63
Hong Kong	S	32	90
Innsbruck	F	22	72
Inverness	C	18	64
Islamabad	C	26	79
Istanbul	F	23	73
Jakarta	F	33	91
Jersey	F	19	66
Johannesburg		–	–
Lima	C	19	66
Lisbon	S	31	88
London	C	19	66
Los Angeles	C	17	63
Luxembourg	F	23	73
Madeira	F	26	79
Madrid	S	29	84
Majorca	S	28	82
Malaga	S	28	82
Malta	S	29	84
Manchester	C	20	68
Manila	F	32	90
Melbourne	C	16	61
Mexico City		–	–
Miami	S	25	77
Milan	F	26	79
Montreal	Fg	19	66
Moscow	S	17	63
Munich	S	23	73
Nairobi	S	27	81
Naples	F	26	79
Nassau	F	32	90
New Delhi	S	32	90
New York	S	23	73
Nice	S	27	81
Nicosia	S	28	82
Oporto	S	24	75
Oslo	S	16	61
Paris	F	23	73
Peking	S	21	70
Prague	F	24	75
Reykjavik	F	10	50
Rhodes	S	26	79
Rio de Janeiro	F	32	90
Rome	S	26	79
Salzburg	S	23	73
San Francisco	C	12	54
Seoul	S	27	81
Singapore	F	30	86
Stockholm	S	16	61
Strasbourg	F	25	77
Sydney	S	23	73
Taipei	C	30	86
Tangier	S	33	91
Tel Aviv	S	30	86
Tenerife	S	26	79
Tokyo	R	21	70
Toronto	S	23	73
Tunis	C	28	82
Valencia	S	31	88
Venice	S	27	81
Vienna	F	20	68
Warsaw	S	24	75
Washington	S	24	75
Zurich	F	22	72

Temperatures at midday yesterday C – Cloudy Dr – Drizzle F – Fair Fg – Fog H – Hail R – Rain S – Sunny Sl – Sleet Sn – Snow T – Thunder

THE LEX COLUMN

Hanson homes in on Beazer

It would have been a dull old year without Lords Hanson and White, and who can be certain that the excitement is over. Yesterday's agreed offer for Beazer obviously makes a bid for ICI even less likely in the short term. Bear in mind, though, that Hanson is using less than 10 per cent of the borrowing capacity permitted under its articles, and that it successfully devoured two very large mouthfuls (Imperial Group and SCM) as recently as 1986.

Beazer shareholders will no doubt be relieved to take the money and run. The price tag of £350m looks paltry beside net assets of more than £1.2bn at the end of June – but then Mr Brian Beazer has not been the first to discover that book value and the real world are very different places. The market has clearly not been taking the valuation seriously, the group's earnings have virtually collapsed, and Beazer's heavy financing costs severely inhibit its ability to take a tilt at the upturn as an independent company.

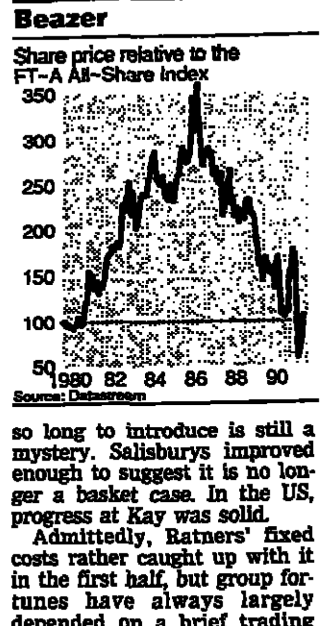
The more pertinent question is whether this acquisition will revive Hanson's dull stock market rating. On the plus side, Beazer brings a solid chunk of cyclical earnings, is unlikely to dilute earnings even temporarily, and offers immediate scope to refinance expensive debt. One cannot quite picture Hanson the housebuilder, but in 12 months' time the neatly packaged CHB may well be able to fetch a better price than the £400m-£500m being talked about at the moment.

The main risk for Hanson is the future environmental cost of the former Koppers' chemical businesses, which prompted a £267m reserve two years ago. Some feared that this problem – which is costing about $30m a year – made Beazer virtually unsaleable. Assessing the net present value of these liabilities, however, is the sort of calculation which has earned Lord Hanson his substantial following.

FT-SE Index: 2,606.0 (-19.8)

Beazer

Share price relative to the FT-A All-Share Index



Source: Datastream

Ratners

Ratners' interim figures are more encouraging than a pre-tax loss of £17.7m initially suggests, if only because they furnish evidence that customers are frequenting its shops as regularly as before. UK sales are down, but that is because recession-hit consumers have been buying cheaper items. Tighter financial controls are producing operational efficiencies, although why these took so long to introduce is still a mystery. Salisburys improved enough to suggest it is no longer a basket case. In the US, progress at Kay was solid.

Admittedly, Ratners' fixed costs rather caught up with it in the first half, but group fortunes have always largely depended on a brief trading period before Christmas. The unusual uncertainty over shopping habits this year makes forecasting the full-year performance a mug's game.

The big question is what yesterday's maintained interim dividend signalled. The shares already yield more than 10 per cent, but the prospect of a dividend cut would undermine that case for buying them. Ratners needs to make around £70m pre-tax to avoid paying a partially uncovered full-year dividend. There are plenty who would not bet on it achieving that.

Dalgety

The hard part is yet to come for Dalgety. Two years of reorganisation have produced a focused, slimmed-down company with a strong balance sheet. The further write-downs against the remaining investment in Dalgety Farmers mean there should be no further shocks from there, even though the situation in Australia appears to be going from bad to worse. In its present form, the company should be able to turn out solid, if uninspiring, earnings growth over the next few years.

But the 18 per cent gearing ratio leaves plenty of room for expansion via acquisition, presumably elsewhere in Europe where the group is under-represented. Dalgety would be lucky indeed to find anything in the snacks sector at an affordable multiple. There may be more scope in pet food or ingredients, though here again it will have to be selective to ensure that any eventual purchase actually enhances earnings potential.

At 423p, the shares are trading on an undemanding historic multiple of less than 12. It is hard to see a significant re-rating until an acquisition is on the table.

UK economy

Yesterday's retail sales and manufacturing output figures once again contain an uncertain message. After two strong months, retail sales in August fell by more than expected, but not so far that talk of a gentle upward trend must be discounted – consumers might feel less bad, but do not yet feel good. On the face of it, any disappointment on that score should have been more than counteracted by the 0.8 per cent jump in July manufacturing output. All sectors enjoyed output above their recessionary lows. But tighter control of stocks and wages means productivity should be running ahead, benefiting company profits and core inflation. Instead the figure fell in July by as much as output rose. It looks more than ever like a sluggish recovery.

Morgan Crucible

On the surface, a 7 per cent increase to £28.5m in first half pre-tax profits suggests Morgan Crucible has weathered the recession rather well. There is no sign of the accounting devices which detracted from the presentation of its full-year results in April, although operating profits include some £7.3m from acquisitions this year and last, and the company gives no clue as to how far the first-half figures have been struck after drawing on provisions. So investors cannot be sure whether the underlying picture is quite as good as that suggested by an 11.5 per cent overall operating margin.

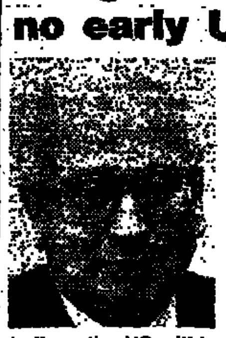
The company says it has now overcome its addiction to rights issues. The proceeds of April's call are still largely unspent, though a medium-sized US purchase for the technical ceramics division appears reasonably imminent.

But Morgan Crucible still has something of a credibility problem with its strategy of cornering niche market share by acquisition. That probably explains why the shares are only on a historic multiple of 11, even after their recent rise.

FINANCIAL TIMES
COMPANIES & MARKETS
© THE FINANCIAL TIMES LIMITED 1991
Tuesday September 17 1991

INSIDE

Morgan Crucible sees no early UK upturn



Acquisitions helped Morgan Crucible, the UK industrial materials maker, to a 7 per cent increase in taxable profits for the six months to June. Mr Bruce Farmer (left), chief executive, was pessimistic about any UK upturn, but said there were already signs of improvement in North America. "We believe the US will be the first out of the recession" he added. Page 30

Record run for Nike

Nike, the US shoe and clothing maker, yesterday announced record first-quarter earnings in spite of analysts' forecasts of a fall in profits. Page 26

German farmers head east

While German workers from the east flood across the old border in search of jobs, many farmers from the west of the country are heading in the opposite direction. Page 34

Rugby declines by 21%

Rugby Group, the building materials company which supplies about one fifth of the UK's cement market, suffered a 21 per cent decline in interim profits. Mr Peter Carr, managing director, said lower UK interest rates had not come in time to benefit the group. Page 32

PepsiCo to take $100m charge

PEPSI

PepsiCo, the US food and soft drinks group, is to cut 1,800 jobs from its Frito-Lay snacks unit, accounting for most of a $100m pre-tax charge against earnings when it reports third-quarter results. Page 26

Philippine SE falls

The Philippine stock market fell yesterday, ahead of the formal vote late last night by the country's senate in favour of evicting the US military from the former colony. Page 46

Pacific Dunlop falls 20%

Pacific Dunlop, the Australian industrial group, yesterday reported a 20 per cent fall in net profits to A$240m (US$190m) for the year to the end of June, on revenue down 2.5 per cent to A$5bn. Page 25

Ransomes passes dividend

Ransomes, the UK grass machinery manufacturer, passed its interim dividend as it incurred a loss. Page 32

Christie's remains optimistic

The year-long slump in the Modern and Impressionist art markets sent Christie International's interim pre-tax profits down from £40.1m ($67.76m) to £3.0m. Page 33

Market Statistics

Base lending rates	42	London traded options	29
Benchmark Govt bonds	28	London tradit options	29
FT-A indices	29	Managed fund service	38-41
FT Int bond svce	28	Money markets	42
Financial futures	42	New int bond issues	29
Foreign exchanges	42	World commodity prices	34
London recent issues	29	World stock mkt indices	43
London share service	35-37	UK dividends announced	31

Companies in this issue

Allianz	24	Lopex	32
Amstrad	32	MEPC	30
Assoc British Foods	30	Malayan Utd Ind	25
Campeau Corp	26	Medeva	31
Christies Intl	33	Morgan Crucible	30
Corporate Invest	25	Newspaper Publishing	32
DAF	24	Nike	26
Dairy Farm Int	25	Nine Network	25
Dalgety	30	Olives Hldgs	33
Dowding & Mills	30	Olympia & York	26
Ecu Trust	33	Pacific Dunlop	25
FBD	32	Porsche	24
FII	32	Precious Metals Tst	33
Firestone	26	Quicks	33
GEC	32	Quiligotti	32
Gabicci	33	Ransomes	32
Heath (CE)	33	Richmond Oil and Gas	30
Hillsdown Holdings	30	Rugby	32
Hongkong Land	25	Russell (Alexander)	33
Huntleigh Tech	33	Scholes	33
Inchcape	31	Second Alliance	33
Inchcape Berhad	25	Sharpe & Fisher	33
Inter-Pacific	25	Singapore Aerospace	25
Irish Life	33	Thompson Clive Inv	33
Kumpulan Guthrie	25	Tibbett & Britten	31
LTV	26	Torday and Carlisle	30

Chief price changes yesterday

FRANKFURT (DM)

Rises			
Holzmann Zent	1010	+	35
Linotype	918	+	32
Rheinmetall	338	+	14
Falls			
Aachen Mch	825	−	20
Bilfing Berg	835	−	25
Zanders Feinpap	271	−	9

NEW YORK ($)

Rises			
Beazer	8	+	2⅛
First Nat Fenns	28	+	2½
Nike	50⅜	+	2⅝
Falls			
Pepsico	28⅞	−	⅝
Philip Morris	72⅛	−	¾
Saloman	24⅛	−	¾

PARIS (FFr)

Rises			
Accor	820	+	15
L'Oreal	644	+	17
Falls			
Beghin-Say	478	−	12
Fonc Lyonnaise	600	−	18
Pinault	284	−	8
Taittinger	3340	−	100

New York prices at 12.30. Tokyo closed.

LONDON (Pence)

Rises			
Albrook	38	+	2½
Amber Day	114½	+	5½
Amoor Tst	33½	+	2
Beazer	115½	+	32½
Breedon	100	+	5
Costac	38	+	4
EW Fact	130	+	6
Gabicci	76	+	16
Hewitt (J)	158xd	+	11
New Eng Props	16½	+	2½
Olives	116	+	11
Plaxton	60xd	+	7
Prestwick	53	+	13
Torday Carlisle	90	+	26
Wastm Scafldg	35	+	5
Falls			
Brown Jackson	8	−	4
Everest	168	−	10
ICI	1267	−	37
Ransomes	49	−	7
Ratners	129	−	7
Wills	6	−	3

Frankfurt reputation hit by fresh allegations of bourse misconduct

Five Dresdner trading staff resign

By Katharine Campbell in Frankfurt

FIVE EMPLOYEES of Dresdner Bank, the second-largest German bank, have resigned following allegations by the management *that they had violated bank rules* governing bonds and equities transactions.

The resignations from within the Eurobond new issues department and a section which co-ordinates sales of securities through the branch network, coincided with the announcement that the *Frankfurt bourse's insider commission* has terminated an investigation into Deutsche Bank, Germany's largest banking group, without discovering rule violations. The staff departures at Dresdner add to the scandal which has been growing in the Frankfurt financial community *during the past three months*.

It has also added to worries about the adequacy of supervision of the finance industry in Germany.

During the Deutsche Bank inquiry, sparked by an anonymous letter alleging widespread abuse in its securities department, *the bank dismissed its* chief equity warrants dealer.

Frankfurt city prosecutors are examining at least 150 cases of possible tax evasion and two cases of possible fraud by dealers at various banks and brokers.

The Dresdner case arose in the course of internal investigations *indirectly sparked by the Deutsche case*. Dresdner said it had found evidence that two directors and three other employees had broken internal rules and the five subsequently handed in resignations at the end of last week. The names of the employees were not released.

There were allegations *yesterday* that they had reserved paper for their own account in new *issues before making allocations* to customers. Dresdner stressed that the grounds for dismissal did not constitute a breach of insider rules.

Meanwhile, Deutsche Bank *indicated it intends to introduce* an "Anglo-Saxon" code of conduct, under which traders will be severely restricted in trading on their own account.

Shortly after the insider investigation began, Deutsche banned dealers from trading for themselves in the securities in which *they deal for the bank*. More far-reaching changes are expected soon.

There are no criminal penalties for insider trading in Germany. However, the current controversy has added urgency to efforts in Bonn to draft legislation complying with the EC directive on *insider trading*.

Supervision of the voluntary insider code drawn up by banks and industry rests with separate commissions at the eight regional stock exchanges which operate within a narrow framework and possess few legal powers of enforcement.

In the AEG case in 1986 it was the supervisory board member himself who admitted to trading on advance information of the company's sale to Daimler-Benz.

Barlow Rand agrees sale of steel alloy producer for R1.07bn

By Philip Gawith in Johannesburg

ANGLO AMERICAN and Gencor, South Africa's two largest mining houses, are paying R1.07bn ($378m) to acquire Middelburg Steel and Alloys (MS&A), the stainless steel and ferro-alloys producer. MS&A is owned by Barlow Rand, the country's *industrial flagship*.

The deal will bolster South Africa's dominance in the world ferrochrome market and enhance its prospects of becoming a leading stainless steel producer. It also marks a further retreat by Barlow Rand from mining and mineral processing.

MS&A's ferro-alloy operations, with the chrome interests of Barlow Rand, will be acquired by Samancor, a Gencor subsidiary, for about R575m. This will be funded by Samancor issuing 22m new shares at R27.75 each.

One half of these new shares will be taken up by Anglo American and its associate De Beers, raising their interest in Samancor from almost 25 per cent to almost 28 per cent. Genmin, Gencor's mining and minerals arm, will take up the remainder.

MS&A's stainless steel interests, valued at about R500m, will be included in the proposed Columbus project, a 50-50 joint venture between Highveld Steel, an Anglo American subsidiary, and Samancor. Highveld will finance its 50 per cent acquisition by issuing 16m shares at R15.65 each while Samancor will pay for its 50 per cent in cash.

Samancor's ferrochrome capacity will be lifted by the MS&A acquisition to about 1m tonnes a year from 640,000 tonnes.

Mr Brian Gilbertson, executive chairman of Genmin, said this would lead to closer ties with its customers, the world's main steel producers, who preferred to deal with large suppliers. He hoped *the deal would boost the* weak world ferrochrome price because Samamcor would rationalise production.

The deal also means the Columbus project will benefit from the synergies between MS&A's expertise in the production and marketing of stainless steel as *well as Highveld's steel-making* skills. Also, MS&A's existing plant can be used as a foundation for Columbus bringing possible capital cost cuts of between R500m and R1bn from an envisaged R3bn.

Barlow Rand announced its intention in May to reduce its stake in MS&A because the volatility of its commodity-based earnings was tending to overshadow the performance of the group's core industrial interests.

Richard Gourlay, Roland Rudd and Nikki Tait report on Hanson's acquisition of Beazer, the UK builder

Another casualty on the US highways

In the mid-1980s, Mr Charles Pullin, chief executive of Koppers, the US building materials group, bet his company on an upsurge in spending to replace America's crumbling roads, bridges and public works. He lost: in June 1988 his company was bought for $1.7bn by Beazer, of the UK.

In turn, Mr Brian Beazer thought the fortunes of his *merged group would be secured* by US infrastructure spending. He was wrong. His £1.2bn ($2.07bn) of debt, much of it taken on to buy Koppers, forced him to plan to dismember his business, then abruptly reverse course yesterday and sell it to Hanson in a £351.4m recom*mended offer*.

But a good story never dies. Now, Mr Martin Taylor, Hanson's vice-chairman, listing the virtues of the deal, gives pride of place to a forecast upturn in American infrastructure investment.

Lord Hanson: betting on an upturn in the US

Less than two years ago, close to the height of the market, Han*son sold four ARC building mate*rials companies in the US for $650m. Now, as the Beazer purchase brings it ownership of America's second largest aggregates company, there are a raft of public policy pronouncements that suggest that federal and state infrastructure spending *might be about to start rising* again.

Hanson's timing of its move back into building materials will prove justified if US federal, state, and local governments are able to squeeze a few more dollars out of their dwindling treasuries for their public works.

That is a big if. But the timing of Hanson's move to take over Beazer, at any rate, cannot be faulted. Only last Tuesday, Beazer was still anticipating reducing its debt through a flotation of CHB, the UK house building company which was the mainstay of the group's rapid growth in the 1980s.

Beazer's realisation that drastic action would be required to solve its problems dates back to March. Mr Beazer and his then deputy chief executive Mr John Matthews, who had joined Beazer from County NatWest, the company's adviser, agreed that all was not well. In particular, shareholders did not understand the Anglo-American approach of the company. They were left asking whether Beazer should best be *seen as a US- or UK-based company*.

The obvious answer was to divide the company into two. But Mr Beazer feared the drawbacks of that approach outweighed the advantages. By putting a price on the separate businesses Beazer would become more vulnerable *to a bid*.

At about the same time, Lord Hanson first mentioned to an adviser that he was interested in Beazer. But he only asked NM Rothschild, his merchant bank, to look seriously at the deal in June, after Beazer's banks forced Mr Beazer to reduce his borrow*ings by floating off CHB*.

The CHB flotation, now shelved, would have raised about £450m. That would have solved Beazer's immediate need for cash. The latest of a series of reschedulings with banks, announced last week when Beazer announced a 43 per cent fall in pre-tax profits to £60.6m last year, required Beazer to repay $600m.

But had the CHB sale gone ahead, Mr Beazer would have been left with with no role in the UK and a rough ride in the US. The banks would still have been owed about £600m; and the company would also have been left with interest cover and debt *repayment conditions that would* have become increasingly demanding after this year.

As one adviser to Hanson said yesterday, "The chance of working for Hanson appealed more to Mr Beazer than continuing to do battle with the banks."

Mr Beazer would also have *been left with considerable envi*ronmental liabilities which Beazer inherited with its Koppers investment, and which Hanson will presumably in turn acquire.

These relate to the clean-up costs of about 70 chemical dump sites and a similar number of plant sites in businesses which *now been sold. Beazer had to* indemnify the buyer of these businesses for the clean-up costs before the sale could go ahead.

Only two or three plants have reached the clean-up stage and Beazer is in negotiations with the Environmental Protection Agency. Its in-house counsel said *earlier this year that things were* proceeding at "glacial speed." Beazer has provided £267m against the cost of these clean-up operations and was expecting annual costs of about $35m.

While the company has always claimed the provisions are sufficient, some investors, especially *in the UK, have worried the final* liability might be higher.

The stock market in London was quick to calculate that Lord Hanson's ready money was a better bet than Beazer's uncertain future: Beazer shares rose 39 per cent on the news of the deal, to close at 115½p. At their high *point, in 1987, they were trading* at 273p.

The market also made the judgment that the Beazer acquisition would lessen Hanson's appetite for a bid for ICI, in which it acquired a 2.8 per cent stake earlier this year. ICI shares fell 37p to 1267p yesterday. Though Hanson's appetite for an immediate bid for ICI may have waned over the summer, yesterday's move seemed to say little either way. Hanson's Mr Martin Taylor said that the Beazer deal did not alter the group's intentions towards ICI.

Photo: Trevor Humphries

Brian Beazer: realising the need for drastic action

Fermenta unit 'close to' loan deal

By John Burton in Stockholm

SHARE trading in Fermenta and its finance company subsidiary, Independent, was suspended yesterday on the Stockholm bourse, increasing expectations that a long-term loan package for Independent will be announced today.

Independent has been talking to a bank consortium about long-term financing of SKr6bn ($978m) as its credit losses grew due to bad property loans. It reported a loss of SKr130m during the first four months of 1991. Independent is believed in a stronger position than other Swedish finance companies, such as Nyckeln and Gamlestaden, that have collapsed as a result of the recession.

It has reduced its outstanding loans from SKr20bn to less than SKr6bn, most of which are in leasing contracts.

The credit losses at Independent contributed to Fermenta's SKr138m loss during the first four months of 1991. Fermenta is controlled by Industrivarden, the Swedish investment group.

Mr Bert Sjolin, Fermenta's chairman, and Mr Bertil Holmberg, chief executive, were forced to resign last week after failing to report certain share transactions to the Fermenta board.

Analysts believe Fermenta's owners used the incident to oust the two executives over their decision in 1988 to diversify Fermenta into financial services, while reducing its activity in the chemical and antibiotics sector, its original business.

Independent's problems also caused its other main shareholder, the Swedish transport group Bilspedition, to sell its shares at a loss and reduce its stake to less than 10 per cent.

Fermenta, founded by Mr Refaat El-Sayed, was at the centre of Sweden's biggest postwar financial scandal in 1986 and has since held an unofficial listing on the Stockholm bourse.

After the downfall of Mr El-Sayed, Fermenta was taken over by Industrivarden.

Ratners Group records £18m interim loss

By John Thornhill in London

TOUGH trading conditions on both sides of the Atlantic pushed Ratners, the UK's largest jewellery group, from a £9.3m interim pre-tax profit in 1990 into a £17.7m ($10.2m) loss in the six months to August 3.

All the company's UK chains registered sales declines. UK turnover dropped by 7 per cent to £231.7m and profits fell from £13.27m to a £11.74m loss.

The trading profit contribution from the US rose to £4.6m (£4.5m) with the inclusion of the recently-acquired Kay Jewelers, which Ratners Group has integrated with its Sterling chain. Overall, group sales rose from £370.69m to £450.41m.

Chairman Mr Gerald Ratner created a media storm in the UK in April when he jokingly described one of the company's products – a sherry decanter selling for £4.95 – as "crap". An *apologetic Mr Ratner said yester*day this had had only had a limited impact on sales at the Ratners chain, which accounts for 250 of the group's 2,500 outlets and a similar proportion of profits. The average selling price for Ratners' goods fell by 15 per cent as customers traded down.

The group's interest charge rose from £8.47m to £11.16m. The interim dividend was held at 2.4p. Losses per share amounted to 3.9p compared with earnings of *1.2p in the previous year*.

Lex, Page 22

INTERNATIONAL COMPANIES AND FINANCE

Disposals and low property income hold back Dalgety

By Guy de Jonquières, Consumer Industries Editor, in London

PRE-TAX profits at Dalgety, the restructured UK foods company, fell to £110.9m ($187m) from £118.1m in the year to June 30 because of disposals and reduced profits from property.

However, trading profits from continuing operations rose to £114.6m from £97.4m, on turnover of £3.77bn against £4.63bn last time, though tax and extraordinary items of £38.9m relating to disposals reduced attributable profits to £43.3m against £65.8m last time.

Mr Maurice Warren, chief executive, said the continuing core businesses except flour milling had weathered the recession strongly and the quality of profits had improved.

Corporate reorganisation and asset disposals were largely completed. "We are now in a position where we can afford to back our good businesses," he said.

Increased advertising had helped the company's pet food, crisps and flour businesses increase their share of the UK market, while plants making pet food, snacks and cake mixes had benefited from investment.

Asset sales reduced net gearing to 18 per cent from 37 per cent, while the ratio of net interest cover rose to 13.7 from 5.6.

Dalgety has regrouped its businesses into four. All improved trading profits except food ingredients, where a deterioration in the flour business reduced trading profit to £25.8m from £27.2m on turnover of £323m, up from £297m.

Helped by acquisitions, trading profit of consumer foods grew 28 per cent to £49.7m, on sales of £568m, up from £505m.

Pet food sales increased in spite of a decline in the UK market as exports to continental Europe grew substantially.

Trading profits on food distribution – principally the US subsidiary Martin-Brower – rose 23 per cent to £12.4m on turnover of £1.88bn, down from £2.1bn.

These figures reflected the impact of adverse movements of the US dollar against sterling.

The agribusiness group increased trading profits by 25 per cent to £26.7m on sales of £919m, up from £878m. The Pig Improvement Company produced a record profit, while Dalgety Agriculture improved its performance.

Extraordinary items included a £9.7m write-down on the investment in Dalgety Farms, a £9.8m loss on the disposal of Dalgety Produce and £9.3m on other disposals.

The final dividend was increased to 11.35p, against 11p last time, making 18.5p for the year against 18.15p a year earlier.

Lex, Page 22
Background, Page 30

DAF seeks to bolster equity ratio through Fl 250m issue

By Ronald van de Krol in Amsterdam

DAF, the Dutch truck and van maker, is to raise Fl 250m ($132m) through an issue of compulsory convertible preference shares. The issue is designed to bolster the company's equity ratios.

News of the Fl 250m capital-raising exercise follows indications last month that DAF would seek new funds of at least Fl 200m. The company's single biggest shareholder is British Aerospace, with a stake of 16 per cent.

Other major shareholders include the Van Doorne family of the Netherlands and DSM, the Dutch chemicals group.

DAF plans to issue 12.5m preference shares priced at Fl 20 each. The company's ordinary shares closed at Fl 21.60 yesterday on the Amsterdam Stock Exchange.

The preference shares will pay a cumulative dividend of 10.5 per cent per year. The shares must be converted into DAF ordinary shares in four instalments on June 1 1995 through to June 1 1998.

The conversion price will be based on DAF's average share price during the preceding April. This will be adjusted for the dividend announced in March, and the actual conversion price will also be 10 per cent less than the April trading price.

DAF is reserving the right to insist on early conversion if there is a fundamental or structural change in the ownership of its share capital. In this case, the discount on the conversion price will be raised closer to actual trading prices.

The share issue has been underwritten by a consortium of banks led by ABN Amro of the Netherlands. Subscriptions open in early October.

DAF's announcement in August that it was planning a preference share issue coincided with the publication of first-half figures showing that its net loss had widened to Fl 179.1m from Fl 32.1m a year earlier. At the same time, group capital and reserves represented just 23.7 per cent of total assets, against 27.5 per cent at the end of 1990. DAF has chosen compulsory conversion of the preference shares to underline its desire to return to the usual structure of its share capital by the end of the decade.

The company, which has been hit hard by the recession on the UK truck market, has predicted that its figures will improve in the second half of 1991.

DAF's strong dependence on the UK market is a legacy of its acquisition in 1987 of Leyland Trucks. The sharp contraction of the UK market in early 1991 and the growth of the German market since that country's unification have reshaped the European truck market, leading to a decline in the Anglo-Dutch company's overall market share.

Porsche to shed 550 workers in next year

By Christopher Parkes in Bonn

PORSCHE, Germany's hard-pressed luxury sports car-maker, has announced plans to shed 550 workers by mid-summer next year.

The company said yesterday it had decided to slim its 8,000-plus workforce by indirect methods such as not replacing staff who left and by early retirement.

The cuts, agreed with the works council, were being made in the interests of cost savings and competitiveness, the company said, and in the light of current and medium-term business prospects.

The announcement followed a report in yesterday's edition of Der Speigel, the weekly news magazine, which claimed that Porsche was fighting for its life and vulnerable to take-over.

Results for the first half of the current year were hit by a drop in exports and the weakness of the dollar. Pre-tax profits fell 13 per cent to DM65m ($37.3m). For the full year, the company said it expected a slight fall in revenues but a satisfactory result overall.

Production of cars this year, which has been in steady decline since 1985-86, is expected to be around 27,000 units, compared with 32,362 last year and 53,625 in 1985-86.

Allianz appoints new chief to life business

By Katharine Campbell

ALLIANZ, Europe's largest insurer, yesterday announced that Mr Gerhard Rupprecht has been appointed the new chief executive of Allianz Leben, the life insurance company of which Allianz owns 25 per cent.

Mr Rupprecht, 42, is a board member of the life company. The present chief executive, Mr Henning Schulte-Noelle, leaves at the beginning of October to head the Allianz group following the surprise departure of the heir apparent, Mr Friedrich Schiefer.

British Airways shuffles directors

By Paul Betts, Aerospace Correspondent, in London

BRITISH AIRWAYS yesterday announced a top management shuffle following the resignation of Mr Liam Strong, the airline's director of marketing and operations, who will take over later this week as chief executive of a large business believed to be in the UK retailing sector.

Mr Strong said he was leaving BA to become chief executive of a company with sales of £2bn a year. He declined to disclose the name of the company he is joining.

Mr Robert Ayling, BA's company secretary and legal director, is taking over Mr Strong's job.

Both Mr Strong, aged 46, and Mr Ayling, aged 44 – as leading members of BA's top management team – have been regarded as candidates for the job of chief executive at the airline.

Mr Strong joined BA in 1988 from Reckitt and Colman, first as director of marketing and then as head of marketing and airline operations when the two functions were merged. The job involves responsibility for day-to-day operations of the airline and marketing, a workforce of 29,000 people, a budget of £3bn ($5bn) a year and annual sales of more than £4bn.


Picking top people: Sir Colin Marshall (left) and Lord King claim management moves have avoided disruption

"But the opportunity to become chief executive of a company is very hard to turn down," said Mr Strong.

Apart from Mr Ayling's appointment, the departure of Mr Strong has led to the reshuffle of other senior positions.

Mr John Watson is taking charge of human resources in addition to his existing job of information management; Mr Mervyn Walker is returning from the Galileo computer reservation system group to take over as legal director; and Ms Gail Redwood steps up from deputy company secretary to company secretary.

Sir Colin Marshall, BA's deputy chairman and chief executive, said the internal management shuffle had enabled the company to avoid any radical restructuring and disruption of its management.

Lord King, BA's chairman, said the most significant appointment was Mr Ayling's move to the marketing and operations job.

Mr Ayling was a government official specialising in aviation and trade affairs before joining BA in 1985, initially as legal director in the company's run-up to privatisation. He has been closely involved in BA's international and domestic negotiations on civil aviation issues.

● The announcement of BA's management shuffle coincided with reports from Brussels yesterday that Sabena's negotiations to find a strategic partner for the Belgian national airline had progressed further with Air France than with BA.

Talks with BA were still continuing but with little progress.

The loss-making Belgian airline is seeking a partnership with another international carrier as part of its recovery strategy.

INTERNATIONAL COMPANY NEWS IN BRIEF

St-Gobain buys German company

SAINT-GOBAIN, the French glass and construction materials group, has purchased HTK, the German maker of recrystallised silicium for the ceramics industry, for an undisclosed price, AP-DJ reports from Paris.

Saint-Gobain said HTK, based near Sarrebruck, had annual revenue of DM10m ($5.7m).

The French company also announced that its ceramic fibres unit, Kerlane, signed a letter of intent with Slko Union, the leading ceramic fibres company in Czechoslovakia.

The deal gives its Lesni Brana unit access to Kerlane's production technology. Kerlane also would acquire 67 per cent of Lesni Brana's ceramic fibres business.

■ **Philips Electronics** said it would appoint Mr Stefano Marzano as head of industrial design operations, AP-DJ reports from Eindhoven.

He will replace Mr Robert Blaich, who will retire. Philips gave no reason for Mr Blaich's retirement.

Mr Marzano, who joined Philips in 1978, was design manager for Philips' domestic appliances in Italy when Philips formed a joint venture with Whirlpool of the US.

■ **Mosvold Shipping**, the Norwegian shipping and offshore services group, has decided to sell its shipping activities to Denmark's Progress group in return for shares in the Danish company.

Mosvold has 17 per cent of the shares but 51 per cent of the votes in Progress through its holding of A shares. But after the transaction, if approved by Progress' general assembly, Mosvold would own 70 per cent of Progress.

The transaction also included Mosvold's fully owned The Thornhope Shipping and Hudson Steamship as well as Mosvold's 53.1 per cent share in NOR-OBO Shipping.

"Mosvold's aim is to develop Progress to an independent company with a broad ownership structure and Mosvold is aiming to reduce its ownership to below 50 per cent as soon as conditions are right," Mosvold said.

Mosvold, with total shipping assets of DKr120m ($18m), also said the boards of Progress and Mosvold had agreed to propose abandoning having both A and B share classes in Progress and instead have one share class in which one share gives one vote.

Mosvold also said it had ordered two Panamax bulkers, each worth $28.1m, from Daewoo, the Korean shipbuilder. The vessels will be delivered in October.

■ ***Kvaerner***, *the Norwegian* engineering group, said it had established a joint venture with France's Doris Engineering, Reuter reports from Oslo.

The new group, Kvaerner Doris Offshore Concrete, would "offer services within development of floating and permanent concrete constructions for offshore oil and gas production", Kvaerner said.

Kvaerner Engineering would have a 60 per cent stake in the joint group and Doris Engineering the remaining 40 per cent. The new company would be based just outside Oslo.

■ **Elf Aquitaine**, the French state-owned oil company, has acquired 10 per cent of Angola's offshore Cabinda concession as part of an agreement signed with Sonangol, the government-owned oil group, Reuter reports from Paris.

The Cabinda concession is the source of over half Angola's current oil production of about 500,000 barrels per day.

"By gaining access to this particularly rich oil production area, the acquisition will significantly strengthen Elf's position in the country," the company said. Elf produces 165,000 barrels per day in Angola.

Pacific Dunlop profits slide 20%

By Kevin Brown in Sydney

PACIFIC DUNLOP, the diversified Australian industrial group, yesterday reported a 20 per cent fall in net profits to A$240m (US$190m) for the year to the end of June, on revenue down 2.5 per cent to A$5bn.

The group also announced a one-for-five rights issue to raise A$672.5m to restore borrowing levels and cash reserves following its acquisition of 89 per cent of Petersville Sleigh from the Adelaide Steamship group for A$352m.

The group said it would issue 156.4m ordinary shares at A$4.30 each, fully underwritten by Potter Warburg Capital markets and E.L. & C. Baillieu. Before the announcement, the shares closed 4 cents lower at A$5.18 on the Australian Stock Exchange.

Pacific Dunlop said the acquisition of Petersville Sleigh, one of Australia's leading foods groups, would add to its future earnings base and promote growth.

The acquisition, which came after the end of the financial year, followed expenditure of A$175m on acquisitions and A$179m on new plant and equipment during 1990-1991.

Mr John Gough, chairman, said the reduction in net profits was "satisfactory" given the severity of the recession in Australia and other countries, including the US.

Mr Gough said the recession had interrupted the company's growth, but action had been taken to increase market share and increase productivity and competitiveness.

The group had "vigorously pursued" its policy of achieving greater flexibility between Australian and offshore manufacturing to strengthen its position against import competition following the lowering of Australian tariff protection.

Pacific Dunlop has successfully relocated manufacturing activities offshore to escape high Australian production costs, and has assets of more than A$350m in the Asia Pacific area, mostly in production facilities for latex dipping, and cable and footwear manufacturing.

Mr Gough said Pacific Dunlop was budgeting for a moderate improvement in net profits in 1991-1992, but did not expect to reach the record level of A$301m achieved in 1989-1990.

Any profit improvement would be in the second half, due to the forecast slow recovery from recession in Australia, he said. Results in the current half-year were expected to be in line with the second half of last year.

Pacific Dunlop said its Pacific Brands consumer products division had "a much improved year" following restructuring which resulted in increased market share and greater efficiency. The division increased operating profits by 11 per cent to A$77m.

The group said its distribution activities bore the brunt of the recession. The division suffered a 33 per cent fall in operating profits to A$60m despite an improvement in efficiency.

Healthcare group profits were down by A$2m to A$68m, and automotive profits down 35 per cent to A$41m. However, profits from building and construction products were up A$2m to A$158m.

The directors said the total dividend would be increased to 21 cents per share, fully franked, from 20 cents last year.

Supermarket losses push HK retailer 6% lower

By Angus Foster in Hong Kong

DAIRY FARM International, the Jardine Matheson-controlled retailer, has reported a 6 per cent fall in net interim profits following losses in the recently-acquired Simago supermarket chain in Spain.

Dairy Farm announced profits down to US$54.4m in the six months to the end of June, compared with $57.8m in the same period a year earlier. The company is maintaining its interim dividend at 1.35 cents a share.

Turnover gained 59 per cent to $2.22bn due to full contributions from Simago and Woolworth's in New Zealand, also acquired last year.

Mr Simon Keswick, chairman, said operations in Australia and Hong Kong performed well. In Hong Kong, the Wellcome chain of supermarkets is installing point-of-sale scanning to combat a labour shortage and high operating costs. Kwik Save, the UK retailer in which Dairy Farm has a 25 per cent stake, also performed well in the first half.

However, Mr Keswick said results for the year were likely to be affected by a price war in Australia, where Dairy Farm's Franklins chain will witness pressure on margins, and from continuing losses at Simago.

Hongkong Land ahead at half-way

HONGKONG LAND, the property investment and development company which is part of the Jardine Matheson group and one of Hong Kong's largest landlords, yesterday said net profits for the six months to June 30 rose to US$147.3m compared with US$129.6m in the same period last year, Reuter reports.

The net profit figure was achieved before an extraordinary gain of US$40.4m on the sale of four retail centres in the colony. Turnover in the half-year climbed to US$195.1m from US$176.9m in the same period last year.

Mr Simon Keswick, company chairman, said: "While the rate of increase in the group's earnings for the year as a whole is unlikely to match that of the first half, the directors are confident that the results for 1991 will exceed the record levels achieved last year."

The company declared and interim dividend of 2.85 US cents a share compared with 2.8 cents last time.

Nine Network recovers to A$30m

By Kevin Brown

NINE Network Australia, a quoted subsidiary of Mr Kerry Packer's Consolidated Press Holdings, yesterday reported net profits of A$30m (US$23m) for 1990-1991, completing a strong recovery from net losses of A$203m in the previous year.

Nine has been restructured since being acquired by Mr Packer in August 1990 from Bond Media, the television arm of Mr Alan Bond's Bond Corporation Holdings, which earlier bought the network from Mr Packer for A$1bn.

The 1990 loss followed Mr Packer's decision to write off much of the book value of broadcasting licences owned by the network.

Nine said two equity raisings and sales of non-core assets had reduced its debt burden to A$154m at the end of the financial year on June 30, from A$690m at the time of the sale.

The impact of the asset sales was reflected in a 6.8 per cent decline in group sales to A$471m. However, the decline in the network's revenue was cushioned by its consistent lead in the ratings for the three commercial television channels.

Mr David Leckie, managing director, said the improved result was achieved in spite of the difficult economic climate caused by an 18-month recession which reduced advertising volumes.

However, Mr Leckie said the network's Sky Channel arm, which supplies sports and other programmes to clubs, hotels, racecourses and off-course betting shops, made a significant contribution for the first time.

He said the restructuring carried out by Conspress had increased shareholders' funds to A$660m from A$395m.

The directors said there would be no final dividend, but indicated the company expected to begin paying dividends again during the current year.

Malaysian takeover bids reach deadlock

MALAYAN United Industries (MUI) and Inter-Pacific, Malaysia's two rival conglomerates, have reached deadlock in their counter, and hostile, bids for each other, writes Lim Siong Hoon in Kuala Lumpur.

While MUI has announced it has received government clearance for its proposed takeover, Mr Vincent Tan, Inter-Pacific chairman, also said he has raised his personal stake in his company to 51 from 32.8 per cent.

At 33 per cent or more, Mr Tan is required by domestic takeover rules to made a general offer for the balance of Inter-Pacific. His offer is M$1.38 a share.

Inter-Pacific has 30.8 per cent in MUI, acquired since July. But it is now required by the government to sell Sports Toto, its largest and most profitable lottery subsidiary, should the group raise its MUI stake to more than 33 per cent.

Through the maze of directives, the government appears to have blunted the takeover attempts. The reasoning is unclear, but both Mr Tan and Mr Khoo Kay Peng, MUI chairman, have strong ties to leading politicians.

Tension have grown since MUI announced it had submitted an application to takeover Inter-Pacific, which promptly rejected the move as "irresponsible, premature and not serious".

Weaker interim reported by Inchcape Berhad

By Joyce Quek in Singapore

INCHCAPE BERHAD, the Singapore-based trading and services group, yesterday blamed weak interim results onlower demand in the aftermath of the Gulf war and the recession in the US and Europe.

Group turnover fell 9 per cent to S$397.3m (US$233.7m) for the six months to June, while pre-tax profits slid to S$35.7m from S$56.6m. Extraordinary gains were down to S$723,000 from A$14.4m, while earnings per share were 12.5 cents against 22.4 cents.

● Singapore Aerospace, the government-controlled defence company, recorded higher group turnover of S$154.5m (US$90.8m) for the half-year to June from S$93.6m a year earlier.

Pre-tax profits rose to S$13.9m from S$9.9m. However, taxes tripled from S$1.3m to S$4.4m due to the expiry of pioneer status for a subsidiary.

Earnings almost halved at Corporate Investments

By Terry Hall in Wellington

CORPORATE Investments, the diversified investment group, yesterday announced its net profits had nearly halved to NZ$16.1m (US$9.42m) in the year to June 30, compared with NZ$28.1m the previous yearbecause of the depressed state of the Australian and New Zealand economies.

Mr Peter Masfen, chairman, said the company's tourism and property sectors had recorded losses which had more than offset earnings from increased profits in its forestry, wine and industrial developments. The company was, however, budgeting for an improved profit this year.

Sales and other gross income fell 3.1 per cent to NZ$614m. Mr Masfen said the improved performances in the primary production and forestry sectors were encouraging. Pre-tax earnings from the forestry sector grew 9.27 per cent to NZ$8.9m. This division includes Nelson Pine Forests, the region's main producer of medium-density fibreboard. The NZ$60m expansion of this mill would significantly enhance profitability this year, the company said.

Montana Wines, part of the primary products division, boosted pre-tax earnings by 14.61 per cent to NZ$16.9m. Montana had maintained its 45 per cent share of the domestic wine market and increased export sales by 14 per cent. Montana has just completed a NZ$35m investment programme and further capital requirements would be minimal, Mr Masfen said.

Tourism and travel interests, which include Newmans in the US, Australia and New Zealand, registered an 87 per cent fall in tax-paid earnings with a NZ$4.9m loss. Mr Masfen said directors were confident the industry would return to previous high growth rates. Industrial sector profits rose 2.2 per cent to NZ$5.17m. Property investments fell 86 per cent to NZ$463,000.

Higher prices boost Kumpulan Guthrie

KUMPULAN Guthrie, Malaysia's largest plantation group, yesterday predicted better second-half results after reporting a 76.5 per cent rise to M$58 in pre-tax profit for the six months to June, writes Lim Siong Hoon in Kuala Lumpur.

The group raised its interim dividend payout by 50 per cent to M$19.5m, or 3 Malaysian cents a share.

Guthrie attributed the improved profits to 21 per cent higher palm oil prices, although turnover rose by a marginal 2 per cent from M$412m to M$422m.

INTERNATIONAL COMPANIES AND FINANCE

Campeau agrees shake-up plan with O&Y after year

By Bernard Simon in Toronto

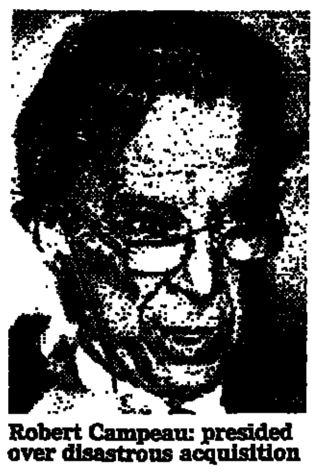
CAMPEAU Corporation, the ailing Canadian property developer, has reached agreement on a restructuring plan with its biggest shareholder and creditor, the Reichmann family's Olympia & York Developments, after more than a year of negotiation.

Campeau, whose founder Mr Robert Campeau directed the disastrous US$10bn acquisition of two of the US's biggest department store groups in the late 1980s, is hoping that O & Y's approval of the plan will clear the way for acceptance by other creditors.

The crux of the restructuring is a debt-for-equity swap, in which holders of unsecured debt as well as preference and ordinary shares are to be issued new common shares in Campeau.

Mr Stanley Hartt, Campeau's president, said the arrangement would mean that "the company will once again have positive equity, and our creditors and shareholders will have the opportunity over the long term to recover value on their investments".

O & Y is also buying the 50 per cent it does not own of Scotia Plaza, Campeau's 68-storey flagship office building in downtown Toronto. The deal is estimated to be worth between C$200m (US$175m) and C$400m.



Robert Campeau: presided over disastrous acquisition

Campeau Corp will not receive any cash; instead, O & Y will take over Campeau's financing obligations for the project. The balance of the purchase price will be used to repay O & Y loans which were secured by the property.

O & Y has an 11 per cent equity stake in Campeau, C$400m outstanding in debentures and C$235m in secured loans, including accrued interest.

Campeau said yesterday that it intended to submit the restructuring plan to an Ontario court by the end of October. In the meantime, Campeau *is seeking* a court order freezing its obligations under the Companies Creditors' Arrangements Act.

The plan's implementation depends on the successful reorganisation of Allied Stores and Federated Department Stores, the two US groups which have been operating under Chapter 11 of the US bankruptcy code since January 1990.

The link between the two is required to satisfy another of Campeau's largest creditors, the US shopping mall developer Edward J DeBartolo. Campeau has guaranteed a secured loan of US$480m from Mr DeBartolo to the US retail group.

Campeau yesterday reported a first-half profit of C$119m, or C$2.55 a share, compared with a loss of C$373m, or C$8.48, a year earlier. The return to profitability was solely due to gains from sales of property totalling C$210m. The company has put most of its property portfolio on the block as part of its efforts to remain afloat.

From this year, Campeau no longer includes the US department store subsidiaries in its accounts. Under the Chapter 11 reorganisation, the Canadian company is not expected to retain any significant ownership in Federated and Allied.

Nike's record earnings for first quarter surprise Wall Street

By Karen Zagor in New York

NIKE, the US sports shoe and apparel maker, yesterday surprised Wall Street by turning in record first-quarter earnings when analysts had predicted declines.

The Oregon-based company said earnings for the three months to August rose 14 per cent to $114.4m, or $1.50 a share, from $99.7m, or $1.41, a year earlier. Revenues grew 14 per cent to $947.2m, from $833.6m a year earlier.

Mr Philip Knight, chairman, attributed the improvement to strong consumer demand around the world. First-quarter results also benefited from increased "at-once" sales – those for immediate delivery rather than those ordered in advance. At-once sales jumped 45 per cent in the quarter.

The company is also fighting the recession's impact on consumer spending by reducing its domestic footwear inventory to 10.8m pairs from 16.5m at May 31. Nike said its lower inventory levels had reduced its short-term borrowing needs.

Despite the strong quarter, Nike is not bullish about second-quarter prospects, saying that earnings might not match the 77 cents a share of a year ago.

During the first quarter, Nike's consolidated gross margin rose to 38.7 per cent from 37.4 per cent last year. However, sales and administrative expenses rose to 18.2 per cent of first-quarter revenues against 17.6 per cent the previous year.

Domestic revenues for athletic footwear increased 5 per cent in the quarter, led by strong sales of new products. Nike's international revenues increased 37 per cent, spurred by growth in Europe.

LTV wins round in pension row

By Martin Dickson in New York

LTV, the US steel group which has been in bankruptcy proceedings for the past five years, appears to have won a victory in a long-running legal dispute over its pension liabilities.

However, the latest twist could further complicate its efforts to emerge from bankruptcy.

A US district judge has ruled that LTV does not have to give its underfunded pension plans – with liabilities of about $3bn – preferential treatment over the company's other creditors.

If upheld, the ruling would mean that the company would only have to pay out a fraction of its pension liabilities, rather than meeting them in full, in the same way that creditors of bankrupt companies usually receive less than 100 cents on the dollar in any financial reorganisation.

The ruling is a severe blow to the federal Pension Benefit Guaranty Corporation as it could encourage other companies to seek the protection of the bankruptcy courts to reduce pension fund liabilities, which would then fall on the agency.

The PBGC plans to appeal the judge's decision.

LTV's efforts to get out of bankruptcy have been held up for years by its long-running dispute over pension liabilities with the PBGC. This year, the two sides reached an agreement under which LTV agreed to pump $950m into its pension fund.

However, that pact ran into strong criticism from the company's other creditors, and LTV, after making an initial payment into its pension fund, agreed to seek the approval of these creditors before making further payments.

The PBGC and the federal Department of Labor responded last month by asking the courts to force the company to make immediate payments into the underfunded plans.

PepsiCo to axe 1,800 jobs at US snacks unit

By Nikki Tait in New York

PEPSICO, the large US soft drinks, snack foods and restaurants group, is to cut 1,800 jobs from its Frito-Lay snacks business, largely accounting for a $100m pre-tax charge when it reports third-quarter results.

PepsiCo said that the charge would reduce to $62m after tax – equivalent to about 8 cents a share. Its shares were down $¾ at $28¾ at mid-session in New York.

The group plans to reorganise the Frito-Lay business to decentralise "management responsibilities". As a result, 800 jobs will be lost at the Dallas headquarters and the remainder spread around the company's nationwide operations.

PepsiCo has reorganised the field operations in four geographical US divisions which each handles the manufacturing, service and distribution, sales and marketing of the snacks group's brands in its area.

It claims that the reorganisation should produce cost savings of about $100m a year.

Frito-Lay took about 13 per cent of the US snack food industry, including sweets, biscuits, crackers and crisps – in 1990, according to PepsiCo. Its products include Doritos Tortilla Chips, Ruffles potato crisps and Fritos Corn Chips.

The business has also grown rapidly worldwide, now taking in Smiths Crisps and Walkers Crisps in the UK.

Firestone unit refuses to pay

By John Barham
in Buenos Aires

THE Argentine subsidiary of Firestone, the US-based tyremaker, will not agree to government demands that it settle a $180m tax bill.

Mr Manuel Balbis, head of the subsidiary, said the three-year dispute had forced him to mortgage the company to obtain working capital and loans from banks.

He warned that, *should* the government carry out its threat to foreclose on Firestone, it would not receive a penny, since the banks would have preference in any ensuing bankruptcy proceedings.

The dispute arises from Firestone's purchase in 1985 of $44m in tax credits from Koner-Salgado, an Argentine company. Subsequent investigation by the DGI, Argentina's tax department, found that the tax credits were fraudulent.

Mr Balbis said that only in 1988 did the DGI announce that the credits were fraudulent, and demanded repayment of the $44m plus $16m in fines. Inflation and punitive interest charges had since increased the amount to the equivalent of $180m, he said.

The Supreme Court has ruled that under Argentine law, the debtor must pay before requesting special treatment of its case.

FT GUIDE TO WORLD CURRENCIES

The table below gives the latest available rates of exchange (rounded) against four key currencies on Monday, September 16, 1991. In some cases the rate is nominal. Market rates are the average of buying and selling rates except where they are shown to be otherwise. In some cases market rates have been calculated from those of foreign currencies to which they are tied.

COUNTRY		£ STG	US $	D-MARK	YEN (X 100)
Afghanistan	(Afghani)	99.25	57.0566	34.1065	42.7341
Albania	(Lek)	10.1158	5.8153	3.4762	4.3555
Algeria	(Dinar)	30.1453	17.3298	10.3592	12.9796
Andorra	(Fr Fr)	9.9150	5.6999	3.4072	4.2691
	(Sp Peseta)	183.00	105.203	62.8865	78.7944
Angola	(Kwanza)	101.324	58.2489	34.8192	43.6271
Antigua	(E Carr $)	4.6723	2.686	1.6056	2.0117
Argentina	(Austral)	17180.22	9876.53	5903.86	7397.3
Aruba	(Florin)	3.0976	1.7807	1.0644	1.3337
Australia	(Aus $)	2.1705	1.2477	0.7458	0.9345
Austria	(Schilling)	20.4750	11.7706	7.036	8.8159
Azores	(Port Escudo)	249.85	143.633	85.8591	107.578
Ghana	(Cedi)	639.915	367.873	219.902	275.529
Gibraltar	(Gib £)	1.00	0.5748	0.3436	0.4305
Greece	(Drachma)	324.17	186.358	111.399	139.578
Greenland	(Danish Krone)	11.26	6.4731	3.8694	4.8482
Grenada	(E Carr $)	4.6723	2.686	1.6056	2.0117
Guadaloupe	(Local Fr)	9.9150	5.6999	3.4072	4.2691
Guam	(US $)	1.7395	1	0.5977	0.7489
Guatemala	(Quetzal)	8.7956	5.0563	3.0225	3.7871
Guinea	(Fr)	1072.91a	616.792	368.698	461.963
		519.15n	298.448	178.402	223.531
Guinea-Bissau	(Peso)	1124.82	646.634	386.536	484.314
Guyana	(Guyanese $)	219.77	126.341	75.5223	94.6264
Pakistan	(Pak. Rupee)	41.00	23.5699	14.0893	17.6533
Panama	(Balboa)	1.7395	1	0.5977	0.7489
Papua New Guinea	(Kina)	1.6342	0.9394	0.5615	0.7036
Paraguay	(Guarani)	2282.89	1312.38	794.498	982.945
Peru	(New Sol)	1.36	0.7818	0.4673	0.5855
Philippines	(Peso)	45.60	26.2144	15.6701	19.634
Pitcairn Is	(£ Sterling)	1.00	0.5748	0.3436	0.4305
	(NZ $)	2.9552	1.6988	1.0155	1.2724
Poland	(Zloty)	19230.00	11054.9	6608.25	8279.87
Portugal	(Escudo)	249.85	143.633	85.8591	107.578
Puerto Rico	(US $)	1.7395	1	0.5977	0.7489
Qatar	(Riyal)	6.2881	3.6148	2.1608	2.7074
[illegible]		[illegible]	[illegible]	[illegible]	[illegible]
Nauru Is	(Australian $)	2.1705	1.2477	0.7458	0.9345
Nepal	(Nepalese Rupee)	73.89	42.4777	25.3917	31.8148
Netherlands	(Guilder)	3.2800	1.8855	1.1271	1.4122
N'nd Antilles	(A/Guilder)	3.0976	1.7807	1.0644	1.3337
New Zealand	(NZ $)	2.9552	1.6988	1.0155	1.2724
Nicaragua	(Gold Cordoba)	8.6525	4.9741	2.9733	3.7255
Niger Rep	(CFA Fr)	495.75	284.996	170.361	213.455
Nigeria	(Naira)	18.60	10.6927	6.3917	8.0086
Norway	(Nor. Krone)	11.4250	6.5679	3.9261	4.9192
Oman	(Rial Omani)	0.6651	0.3823	0.2285	0.2863
Vietnam	(Dong)	16353.22	9401.1	5619.66	7041.21
Virgin Is-British	(US $)	1.7395	1	0.5977	0.7489
Virgin Is-US	(US $)	1.7395	1	0.5977	0.7489
Western Samoa	(Tala)	4.139	2.3794	1.4223	1.7821
Yemen (Rep of)	(Rial)	20.939	12.0373	7.1955	9.0157
Yemen (Rep of)	(Dinar)	0.7978	0.4586	0.2741	0.3435
Yugoslavia	(Dinar)	37.9942	21.842	13.0564	16.3591
Zaire Rep	(Zaire)	30120.00	17315.3	10350.5	12968.8
Zambia	(Kwacha)	122.865	70.6323	42.2216	52.902
Zimbabwe	($)	6.697	3.8499	2.3013	2.8835

Special Drawing Rights Sept. 13, 1991 United Kingdom £0.783976 United States $1.35667 Germany D Mark 2.29359 Japan Yen182.133
European Currency Unit Rates Sept. 16, 1991 United Kingdom £0.702005 United States $1.21482 Germany D Mark 2.04916 Japan Yen162.932

Abbreviations: (a) Free rate; (b) Banknote rate; (c) Commercial rate; (d) Controlled rate; (e) Essential Imports; (g) Financial rate; (h) Exports; (i) Non commercial rate; (j) Business rate; (k) Buying rate; (l) Luxury goods; (m) Market rate; (n) Public transaction rate; (o) Official rate; (p) preferential rate; (q) convertible rate; (r) parallel rate. (s) Selling rate; (t) Tourist rate (u) Currencies fixed against the US Dollar;
Some data supplied by Bank of America, Economics Department, London Trading Centre. Enquiries: 071 634 4360/5.
Monday, September 16, 1991.

INTERNATIONAL CAPITAL MARKETS

Treasuries climb modestly in wake of monetary easing

By Karen Zagor in New York and Tracy Corrigan in London

US TREASURIES moved modestly higher yesterday morning in thin, range-bound trading as the market absorbed last week's easing of monetary policy.

At mid-session, the Treasury's bellwether 30-year bond was $\frac{1}{32}$ higher at $102\frac{1}{32}$, yielding 7.93 per cent. Shorter-dated maturities were $\frac{1}{32}$ higher. The two-year note had a yield of 6.13 per cent.

The Federal Reserve arranged three-day fixed-collateral system repurchase agreement when Fed funds were trading at $5\frac{5}{16}$ per cent, above the Fed's perceived target of 5¼ per cent. The operation, which adds reserves of the banking system, was widely expected.

Economists expect a quiet week ahead, in the wake of Friday's easing. This week's economic data is not expected to disturb the market. Tuesday's industrial production is expected to show a 0.5 per cent increase in August.

Industrial production data, including a 0.8 per cent increase in manufacturing production in July, was interpreted as an indication that the battering of the manufacturing sector of the economy may be ending. Again, this positive reaction contradicts the conventional wisdom, as economic growth is normally negative for the bond market.

■ POLITICAL concerns again outweighed technical considerations in the UK gilts market yesterday. Gilt prices opened firmer, boosted by two opinion polls, published at the weekend, which showed that the Conservative government's lead over the opposition Labour party is growing.

However, economic data released yesterday met a mixed reception. A sharp 1.4 per cent drop in retail sales in August, theoretically good news for bonds, proved discouraging, since any sign that the UK economy is not climbing out of recession has negative implications for the government. Consequently, gilt prices slipped back, largely eradicating earlier gains.

GOVERNMENT BONDS

Although the gilts market made little further progress yesterday, traders say that, provided polls continue to show a Conservative lead, downward pressure on gilt yields will be maintained. Such sentiment is expected to ensure a successful long-dated gilt auction next week, details of which are to be announced today.

The short end of the market remains particularly well underpinned, as expectations of a further cut in UK interest rates mount.

■ JAPANESE markets were closed yesterday, but expectations of a cut in the official discount rate, following the cut in US rates, are likely to boost the market when it reopens.

The holiday in Japan dampened activity in other markets. Government bond prices in France and Germany ended little changed in low volume.

French bond prices fell about ⅛ point, on disappointment that the Bank of France had passed up another opportunity to ease rates.

In Sweden, government bond prices were marked down ⅛ point to ¼ point, after elections at the weekend unseated the ruling Social Democrats. No new government has been put forward yet, and dealers expect activity to remain low until the current uncertainty has been resolved.

BENCHMARK GOVERNMENT BONDS

		Coupon	Red Date	Price	Change	Yield	Week ago	Month ago
AUSTRALIA		12.000	11/01	107.7100	-0.646	10.73	10.67	10.57
BELGIUM		9.000	06/01	98.9000	-	9.17	9.17	9.30
CANADA *		9.750	12/01	101.8750	+0.300	9.46	9.67	9.72
DENMARK		9.000	11/00	99.2750	+0.026	9.11	9.13	9.24
FRANCE	BTAN	8.500	11/96	97.8164	-0.116	9.03	9.05	9.20
	OAT	9.500	01/01	103.7900	-0.050	8.87	8.87	9.08
GERMANY		8.750	08/01	102.2300	-0.180	8.41	8.39	8.46
ITALY		12.500	03/01	90.3600	+0.160	13.01	13.21	13.44
JAPAN	No 119	4.800	06/99	91.5585	-0.093	6.43	6.57	6.72
	No 129	6.400	03/00	101.7379	-0.057	6.09	6.24	6.39
NETHERLANDS		8.500	03/01	98.2600	+0.020	8.77	8.75	8.79
SPAIN		11.900	07/96	101.4500	-	11.45	11.50	11.96
UK GILTS		10.000	11/96	101-10	-07/32	9.66	9.68	10.06
		10.000	02/01	102-14	-03/32	9.80	9.71	10.03
		9.000	10/08	96-20	+01/32	9.40	9.52	9.80
US TREASURY *		7.875	08/01	101-21	+03/32	7.63	7.72	7.84
		8.125	08/21	102-05	+03/32	7.93	7.99	8.11

London closing. *denotes New York morning session. Prices: US, UK in 32nds., others in decimal. Yields: Local market standard. Technical Data/ATLAS Price Sources

German securities find favour abroad

By Katharine Campbell in Frankfurt

FOREIGN investors purchased DM6bn of German fixed income securities in July, up from DM2bn in June, according to the Bundesbank.

The figures demonstrate how a constitutional court ruling at the end of June had surprisingly little immediate effect on investor sentiment abroad.

The court ruled that the government must tighten up procedures for collecting investment income tax by the beginning of 1993. Bonn is expected to unveil proposals in early October.

The surprise foreign interest partly reflects confidence that the solution is virtually certain to apply to German taxpayers alone, unlike the disastrous withholding tax imposed at the beginning of 1989 which also drew foreigners into the net.

Analysts, underlining that ministers have learnt from their mistakes, argue also that much of the money that flowed out of the country in 1988 and 1989 stayed abroad, hence reducing the size of any further possible outflows.

Mr Hung Tran, director of global fixed income research at Deutsche Bank, says international investors have begun rebalancing portfolios, taking profits in the high-yielding markets such as Spain, and redressing under-weightings in the core German market.

FT/AIBD INTERNATIONAL BOND SERVICE

Listed are the latest international bonds for which there is an adequate secondary market. Latest prices at 6:10 pm on September 16

U.S. DOLLAR STRAIGHTS	Issued	Bid	Offer	Chg. day	Yield
ABBEY NATIONAL 8 7/8 93	150	102½	103	-¼	6.99
ALBERTA PROVINCE 9 3/8 95	600	106¼	106½		7.54
AUSTRIA 8 1/2 00	400	101⅝	102	-¼	8.21
BANK OF TOKYO 8 3/8 96	100	101¼	101¾	-¼	8.01
BELGIUM 9 5/8 98	250	107½	107¾	-¼	8.14
BFCE 7 3/4 97	150	99¾	100¼		7.76
BNP 8 5/8 94	300	103¼	104¼	-⅛	7.13
BP CAPITAL 9 5/8 93	150	102⅞	103⅝	-¼	7.23
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
QUEBEC HYDRO 5 08	100	76½	77		7.53
WORLD BANK 5 03	150	85	85¼	+⅛	6.89
WORLD BANK 7 01	600	101½	101½		6.77
YEN STRAIGHTS					
AUSTRIA 4 3/4 94	30000	96⅞	97¼		6.21
CREDIT FONCIER 5 1/4 94	20000	96¾	97½	+⅛	6.33
DENMARK 7 95	40000	102½	102¾		6.14
EIB 4 5/8 94	40000	96½	96¾		6.09
FINLAND 6 3/4 96	50000	101¾	102½		6.25
GENERAL ELECTRIC 5 3/4 93	35000	98⅝	99⅛	+⅛	6.51
INTER AMER DEV 7 1/4 00	30000	106¼	106½		6.29
KANSAI ELEC PWR 4 5/8 94	60000	96¼	96½	+⅛	6.21
NIPPON TEL & TEL 5 7/8 96	50000	98⅛	98⅝		6.28
NORWAY 5 1/8 95	50000	96¾	97		6.16
SNCF 6 3/4 00	30000	103¼	103½	+⅛	6.34
SWEDEN 5 5/8 95	20000	98⅛	98⅝	+⅛	6.16
WORLD BANK 6 3/4 00	50000	103½	103¾		6.20

OTHER STRAIGHTS	Issued	Bid	Offer	Chg. day	Yield
BAYERISCHE VEREINS INT 7 94 LFr	600	94	95		9.48
KREDIETCORP 7 93 LFr	1000	95½	96½	-⅛	9.70
WORLD BANK 8 96 LFr	1000	95		-¼	9.36
UNILEVER 9 00 Fl	500	102⅞	102⅝		8.64
BCE INC 9 5/8 93 C$	300	100¾	100⅞	+⅛	9.30
BELL CANADA 10 5/8 99 C$	150	101¼	101¾	-⅛	10.37
BRITISH COLUMBIA 9 1/4 93 C$	150	99⅞	100⅛		9.27
EIB 10 1/8 98 C$	130	100¾	101¼	+⅛	9.94
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

CONVERTIBLE BONDS	Issued	Cnv. price	Bid	Offer	Prem.
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
BURTON GROUP 4 3/4 01 £	110	2.38	123	124⅞	
EASTMAN KODAK 6 3/8 01	300	50.67	98⅞	99⅞	+14.92
GOLD KALGOORLIE 7 1/2 00	65	1.0554	68⅞	69⅞	+53.00
GOODYEAR TIRE 6 7/8 03	150	80¼	82½	83⅞	+59.05
GRACE (WR) 6 1/4 02	150	42⅞	97⅞	98⅞	+11.67
HANSON 9 1/2 06 £	500	2.3875	99⅞	100¼	+20.59
HAWLEY 6 02 PREF	400	19.1	84½	87½	
HILLSDOWN 4 1/2 02 £	150	4.16	113⅞	114⅞	+85.77
INTL PAPER 5 3/4 02	200	68½	103¼	104¼	+5.36
LAND SECS 6 3/4 02 £	84	6.72	87⅞	88⅞	+12.05
MITSUBISHI BK 1 3/4 02	308	2727.1	111¼	113¼	+0.98
OGDEN 6 02	85	39.077	72¼	73⅞	+46.41
PACIFIC DUNLOP 6 3/4 97	75	3.749	108⅞	109⅞	-2.05
TEXAS INSTRUMENTS 2 3/4 02	300	82⅞	85¼	86¼	
THORN EMI 5 3/4 04 £	103	7.45	118¼	119¼	+8.25

* No information available - previous day's price
‡ Only one market maker supplied a price

STRAIGHT BONDS: The yield is the yield to redemption of the bid-price; the amount issued is in millions of currency units. Chg. day = Change on day.
FLOATING RATE NOTES: Denominated in dollars unless otherwise indicated. Coupon shown is minimum. Spread = Margin above six-month offered rate (‡three-month §above mean rate) for US dollars. C.cpn = The current coupon.
CONVERTIBLE BONDS: Denominated in dollars unless otherwise indicated. Cnv. price = Nominal amount of bond per share expressed in currency of share at conversion rate fixed at issue. Prem = Percentage premium of the current effective price of acquiring shares via the bond over the most recent price of the shares.

INTERNATIONAL CAPITAL MARKETS

Brazil moves toward a single stock exchange

By Christina Lamb in Rio de Janeiro

BRAZIL moved nearer to a unified national bourse yesterday with the linking of eight of the country's nine exchanges to form a National Electronic Trading System (Senn) with a single index.

However, the move towards a national hook-up was marred by the determination of Brazil's largest exchange, Sao Paulo, to remain independent, a decision likely to heighten the battle for stock market supremacy with the Rio de Janeiro exchange which is co-ordinating Senn.

The Sao Paulo exchange is responsible for 60 per cent of national trading compared to Rio's 35 per cent.

Mr Francisco de Souza Dantas, president of the Rio exchange, said yesterday: "We're not trying to create a dispute with Sao Paulo, but obviously we hope our index will eventually become the principal index whether or not Sao Paulo agrees to participate."

He added that he believed Sao Paulo had pulled out of merger negotiations since much of Sao Paulo's business is transacted by brokers from regional exchanges. The Sao Paulo brokers thought they would lose market share if they entered the national trading link.

Senn brings together exchanges as far apart as that of the extreme south and Bahia-Sergipe-Alagoas in the north east and will enable regional brokers to trade nationally without having to go through Rio and Sao Paulo or pay commission to those exchanges. Mr Dantas says he hopes the new system will facilitate integration with other markets in Latin America.

Protocols with the bourses of Buenos Aires, Montevideo and Mexico have been signed.

The new index will be known as I-Senn and based on a weighted average of the 50 most traded shares on the eight exchanges.

Companhia Vale do Rio Doce, the state mining company, currently carries the largest weighting with 48.11 per cent while Telebras, the state telecommunications company, is responsible for 9.84 per cent. The index will be adjusted quarterly.

Brazil's markets, which were opened to direct foreign investment in June, have seen a spectacular turnabout this year after ending 1990 as the world's worst performing emerging market.

Japanese investment trusts suffer sixth fall in net assets

By Emiko Terazono in Tokyo

NET ASSETS of Japanese investment trust funds fell in August for the sixth consecutive month, reflecting the faltering Tokyo stock market and deteriorating investor confidence.

According to the Investment Trusts Association, net fund assets fell to Y42,666.5bn, the lowest level since 1987. The *month-on-month decline of* Y1,868bn is the largest this year. Individuals are the main investors in investment trust funds.

The sluggish stock market has also damaged returns on stock investments, and most trust funds have reported losses.

Pre-maturity withdrawals totalled Y1,300bn. Newly-established stock investment funds totalled Y386.6bn, the lowest figure since August 1985, while stock and bond combined investment funds were Y946.5bn, the lowest since April 1983.

Net assets of "chukoku" medium-term government note funds fell for the 10th consecutive month, to Y3,061.4bn, but the net assets of funds for bond investments rose by Y119bn from the previous month to Y11,747.2bn.

Poll names top three banks in swaps market

By Sara Webb

BANKERS TRUST, Barclays and J.P. Morgan have been named as the top three bank participants in the swaps markets, according to the first annual poll of the swaps and derivatives markets conducted by Risk magazine.

Risk asked more than 70 leading banks and investment houses to name the best banks and brokers in the interbank market. Instruments such as interest rate and currency swaps, interest rate ("caps", "collars", and "floors") and currency options, and swaptions, were separated into currencies.

According to Risk "the markets are now far too diverse and complex" for any one house to dominate all lines of business. Bankers Trust, Barclays and J.P. Morgan were ranked top in US dollar interest rate swaps and US dollar currency swaps. Barclays topped the sterling sector of the currency swaps ranking.

● The South Australian Government Financing Authority (Safa) has bought back and cancelled A$104.8m of bonds, Reuter reports from Adelaide. Safa said these and other repurchases had cut the 1992 line to about A$650.3m and the 1993 line to about A$1.1bn.

Kleinwort unit looks to Korea

By Simon London

KLEINWORT Benson Investment Management is taking a 20 per cent stake in a joint venture with Korea Investment Trust, the largest investment trust company in Korea.

The new company, Korea Investment Management Europe, will provide international fund management to Korean investment trusts. Korea Investment Trust runs 73 funds and has $11.6bn under management.

● *Cedel, one of the two big* Euromarket clearing houses, has slimmed its governing board from 41 to 13 members. The day-to-day management of Cedel remains in the hands of Mr André Lussi, chief executive.

Ecu bonds rally on hopes of European currency accord

By Simon London

ECU BONDS have rallied strongly in the secondary market over the past month, fuelled by hopes of a political agreement that will ensure a future for the aspiring single European currency.

The yield spread of 10-year Ecu bonds over German government bunds has fallen to below 40 basis points, the lowest level ever.

The rally has been given impetus by speculation that the Ecu will be "hardened" against other European currencies.

In particular, the Dutch government's proposal for a two-tier approach to monetary union has excited interest. This would allow the core European states to move towards monetary union soon, possibly via a hardened Ecu.

The hardened Ecu would remain a basket currency, but one that could not be devalued against any of the currencies in the basket.

In this case, the Ecu would be the strongest currency in the European monetary system and the yield on Ecu bonds should fall to the lowest level in the EC.

Ecu bond yields would be level with those of D-Mark bonds, if not lower.

Hence, investors believing that the Ecu will be hardened also believe that yields will fall to the level of bunds – presenting holders of Ecu bonds with a capital gain.

Zero-coupon deals show bullish mood

By Simon London

THE BULLISH sentiment in the international bond market was underlined by the launch of zero-coupon deals in both the Ecu and sterling sectors yesterday.

Crédit Local de France, the French state agency which lends to local authorities, came with an Ecu750m deal, later increased to Ecu1bn, lead-managed by Paribas Capital Markets. The 10-year deal was re-offered to investors at a fixed price of 43.10, where the yield is 8.78 per cent.

Zero-coupon bonds attract buying from investors positive about prospects. Issued at a deep discount, the bonds offer full exposure to the market for a fraction of the initial outlay required to buy a conventional bond.

In addition, the duration (the spread of cash returns to the investor through the life of the bond) of a 10-year zero coupon issue is comparable to a 20-year conventional issue.

The Crédit Local deal met with strong demand, mainly from European investment institutions, trading at or above the fixed re-offer price through-out the day.

In the sterling sector, Nationwide Anglia Building Society also launched a £100m zero-coupon deal, lead managed by Hambros. The seven-year bonds were priced at 50.945 to yield 70 basis points more than UK government bonds, a spread which tightened sightly during the day.

More fragile sentiment in the Australian dollar sector was tested yesterday, with Commonwealth Bank of Australia and State Bank of New South Wales both launched A$100m deals via Deutsche Bank.

The five-year State Bank issue was said by participants to be the better received, attracting both retail and institutional buying. The 10-year maturity chosen by the Commonwealth Bank was said to appeal almost exclusively to institutional investors. State Bank paper traded at less 1.60 bid, inside full fees of 1.75 per cent.

Commonwealth bank paper traded at less 1⅞ bid, against full fees of 2⅛ per cent.

CCCE, the French state agency which lends to developing countries, came with the first Eurobond issue since it lost the guarantee of the government earlier this year.

The FFr1bn 10-year deal, lead-managed by Credit Commercial de France, was priced to yield 39 basis points over French government bonds. The lead manager said the yield spread would have been five basis points less if the government guarantee still applied.

The European Investment Bank added SFr200m to its outstanding SFr400m 6½ per cent seven-year bond issue – one of the benchmarks of the Swiss bond market – lead managed by Swiss Bank Corporation.

INTERNATIONAL BONDS

NEW INTERNATIONAL BOND ISSUES

Borrower	Amount m.	Coupon %	Price	Maturity	Fees	Book runner
ECUs						
Credit Local de France(a)†	1bn	zero	44.10	2001	1¼/1⅛	Paribas Cap.Mkts.
STERLING						
N'wide.Anglia B.Society(a)†	100	zero	50.945	1998	1⅜/⅞	Hambros Bank
AUSTRALIAN DOLLARS						
Commonwealth Bk of Aust.(a)†	*100*	*11*	*99¾*	*2001*	*2⅛/1½*	*Deutsche Bk Cap.Mkts.*
State Bk of NSW(a)†	100	11	101½	1995	1¾/1¼	Deutsche Bk Cap.Mkts.
FRENCH FRANCS						
Caisse Centrale d'Coop.Econ.(a)†	1bn	9⅛	99.27	2001	32.5/10bp	CCF
SWISS FRANCS						
EIB(b)†	200	6½	99.80	1998	-	SBC

★★Private placement. §Convertible. ¢With equity warrants. ‡Floating rate note. †Final terms. a) Non-callable. b) Fungible with existing SFr400m deal launched in June.

LONDON MARKET STATISTICS

FT-ACTUARIES SHARE INDICES

© The Financial Times Ltd 1991. Compiled by the Financial Times Ltd in conjunction with the Institute of Actuaries and the Faculty of Actuaries

	EQUITY GROUPS & SUB-SECTIONS (Figures in parentheses show number of stocks per section)	Monday September 16 1991 Index No.	Day's Change %	Est. Earnings Yield% (Max.)	Gross Div. Yield% (Act at (25%)	Est. P/E Ratio (Net)	xd adj. 1991 to date	Fri Sep 13 Index No.	Thu Sep 12 Index No.	Wed Sep 11 Index No.	Year ago (approx) Index No.
1	CAPITAL GOODS (183)	862.49	-0.5	9.37	5.60	13.23	28.07	867.23	871.75	868.52	703.83
2	Building Materials (24)	1125.38	....	7.96	5.53	16.02	33.99	1124.99	1132.01	1122.71	866.99
3	Contracting, Construction (31)	1184.04	+0.8	8.32	6.37	16.30	42.94	1174.77	1172.26	1170.18	1078.03
4	Electricals (11)	2402.53	-1.1	9.59	5.50	13.38	69.65	2429.23	2456.19	2454.84	1916.02
5	Electronics (24)	1774.65	-0.1	9.95	5.13	12.58	49.11	1775.79	1802.21	1796.99	1542.63
6	Engineering-Aerospace (8)	374.75	-1.0	16.49	6.69	7.32	14.36	378.57	378.49	383.68	424.22
7	Engineering-General (45)	498.49	-0.6	10.39	5.16	11.80	14.61	501.51	501.97	499.20	398.76
8	Metals and Metal Forming (8)	453.78	+1.0	14.58	7.78	8.33	17.48	449.40	448.14	446.67	409.47
9	Motors (12)	362.48	-0.6	8.08	6.63	15.80	14.36	364.70	366.25	365.16	293.44
10	Other Industrial Materials (20)	1642.26	-1.6	7.79	4.96	15.25	55.15	1669.63	1680.00	1671.77	1294.19
21	CONSUMER GROUP (188)	1569.43	-0.7	7.36	3.54	16.78	30.65	1580.36	1584.10	1570.81	1174.06
22	Brewers and Distillers (22)	1907.50	-0.7	8.05	3.51	15.14	34.88	1920.02	1927.29	1922.70	1452.92
25	Food Manufacturing (19)	1240.04	-0.4	9.27	4.02	13.32	26.32	1244.89	1246.39	1236.74	1000.80
26	Food Retailing (17)	2712.32	-0.6	7.93	3.07	16.49	45.01	2727.97	2726.16	2712.79	2397.98
27	Health and Household (22)	3695.62	-1.1	5.47	2.54	20.97	58.20	3736.16	3749.26	3678.45	2347.24
29	Hotels and Leisure (23)	1376.36	-0.2	8.23	5.06	14.80	37.66	1379.07	1388.58	1379.47	1178.94
30	Media (26)	1533.76	+0.2	7.19	4.63	18.12	41.89	1531.02	1536.26	1528.72	0.00
31	Packaging, Paper & Printing (18)	759.98	-1.0	7.33	4.26	16.57	22.26	767.86	768.47	765.65	488.78
34	Stores (32)	1025.54	-1.1	7.42	3.63	17.57	18.14	1036.49	1035.34	1030.23	752.96
35	Textiles (9)	643.32	-0.4	7.16	4.83	17.73	15.16	645.92	651.48	646.32	406.91
40	OTHER GROUPS (109)	1279.09	-0.1	9.45	5.07	13.26	35.14	1280.58	1287.23	1285.09	995.89
41	Business Services (12)	1443.24	+0.4	7.47	4.54	16.56	30.08	1437.37	1439.46	1434.16	0.00
42	Chemicals (21)	1440.08	-1.9	7.05	5.01	17.52	47.20	1468.54	1479.90	1477.80	1001.23
43	Conglomerates (10)	1483.32	+0.4	9.91	7.11	12.21	37.80	1478.08	1493.09	1489.51	1317.53
44	Transport (13)	2375.15	+0.3	7.18	4.78	17.25	66.14	2368.98	2366.23	2352.07	1901.01
45	Electricity (16)	1244.56	....	14.19	5.23	9.05	27.53	1243.88	1244.13	1245.64	0.00
46	Telephone Networks(4)	1540.75	+1.1	9.73	3.94	13.45	28.34	1524.30	1541.40	1535.89	1133.01
47	Water(10)	2525.80	-0.1	16.19	6.09	6.84	118.37	2528.70	2513.36	2503.39	1960.70
48	Miscellaneous (23)	1876.34	-1.7	5.33	5.28	25.95	68.99	1908.70	1912.12	1922.05	1501.33
49	INDUSTRIAL GROUP (480)	1304.46	-0.5	8.42	4.43	14.76	32.07	1310.74	1315.75	1308.74	1005.90
51	Oil & Gas (20)	2398.71	-1.7	10.86	5.79	12.18	92.84	2441.00	2460.34	2450.22	2453.28
59	500 SHARE INDEX (500)	1399.25	-0.6	8.72	4.60	14.39	36.86	1408.16	1414.25	1406.93	1123.47
61	FINANCIAL GROUP (92)	831.29	-0.5	-	5.62	-	29.98	835.64	839.80	834.28	676.40
62	Banks (9)	969.13	-0.9	4.40	5.50	42.66	36.83	977.67	982.60	972.82	719.82
65	Insurance (Life) (7)	1570.43	-1.4	-	5.38	-	60.57	1593.35	1587.12	1582.89	1318.35
66	Insurance (Composite) (6)	648.07	....	-	6.80	-	28.25	648.36	664.14	660.22	575.28
67	Insurance (Brokers) (9)	1171.00	-0.7	6.98	5.77	18.77	41.27	1179.30	1165.78	1145.66	801.41
68	Merchant Banks (7)	460.36	....	-	4.55	-	12.54	460.33	457.07	453.39	348.52
69	Property (36)	957.99	+0.7	5.79	4.86	24.30	22.40	951.34	953.91	954.96	896.02
70	Other Financial (18)	267.71	-0.5	10.72	6.79	11.73	9.28	268.96	268.32	267.85	246.83
71	Investment Trusts (69)	1243.11	-0.7	-	3.48	-	25.50	1251.78	1250.67	1245.15	1040.42
99	ALL-SHARE INDEX (661)	1261.32	-0.6	-	4.70	-	34.68	1269.19	1274.61	1267.80	1015.99

	Index No.	Day's Change	Day's High (a)	Day's Low (b)	Sep 13	Sep 12	Sep 11	Sep 10	Sep 9	Year ago
FT-SE 100 SHARE INDEX§	2606.0	-19.8	2615.8	2603.7	2625.8	2641.9	2626.6	2630.8	2653.2	2094.3

FIXED INTEREST

	PRICE INDICES	Mon Sep 16	Day's change %	Fri Sep 13	Accrued interest	xd adj. 1991 to date
	British Government					
1	Up to 5 years (28)	122.79	-0.06	122.85	2.28	8.23
2	5-15 years (27)	135.68	-0.10	135.81	1.99	9.88
3	Over 15 years (9)	143.51	-0.02	143.54	0.68	10.60
4	Irredeemables (6)	160.76	+0.03	160.72	2.84	8.83
5	All stocks (70)	133.88	-0.07	133.98	2.01	9.48
	Index-Linked					
6	Up to 5 years (1)	-	-	164.24	-	2.72
7	Over 5 years (10)	-	-	148.61	-	3.42
8	All stocks (11)	-	-	149.64	-	3.40
9	Debs & Loans (58)	114.09	+0.08	114.47	2.10	7.83

	AVERAGE GROSS REDEMPTION YIELDS		Mon Sep 16	Fri Sep 13	Year ago (approx.)
	British Government				
1	Low	5 years	8.54	8.50	11.05
2	Coupons	15 years	9.35	9.34	11.05
3	(0%-7¾%)	20 years	9.35	9.35	11.05
4	Medium	5 years	9.62	9.57	12.16
5	Coupons	15 years	9.50	9.49	11.59
6	(8%-10¾%)	20 years	9.46	9.46	11.28
7	High	5 years	9.81	9.77	12.25
8	Coupons	15 years	9.58	9.58	11.87
9	(11%-)	20 years	9.51	9.51	11.60
10	Irredeemables†		9.56	9.56	11.12
	Index-Linked				
11	Inflation rate 5%	Up to 5yrs.	-	3.60	4.69
12	Inflation rate 5%	Over 5 yrs.	-	4.19	4.34
13	Inflation rate 10%	Up to 5 yrs.	-	2.55	3.44
14	Inflation rate 10%	Over 5 yrs.	-	3.99	4.14
15	Debs &	5 years	11.28	11.28	14.05
16	Loans	15 years	11.07	11.07	13.06
17		25 years	10.92	10.92	12.74

§Opening index 2613.9; 9 am 2610.7; 10 am 2608.6; 11 am 2612.8; Noon 2606.5; 1 pm 2606.1; 2 pm 2605.6; 2.30 pm 2603.9; 3 pm 2604.7; 4.10 pm 2606.3; (a) 8.52am (b) 2.39pm † Flat yield. Highs and lows record, base dates, values and constituent changes are published in Saturday issues. A list of constituents is available from the Publishers, The Financial Times, Number One, Southwark Bridge, London SE1 9HL. The FT-ACTUARIES SHARE INDICES SERVICE covers a range of electronic and paper-based products relating to these indices. These are available by subscription from FINSTAT, Ibex House, 42-47 Minories, London EC3N 1DY. Tel: 071-702 0991. Due to technical problems there are no Index Linked indices published in this edition. CONSTITUENT CHANGES: Racal Electronics (46) has been deleted and replaced by Vodafone Group (46).

RISES AND FALLS YESTERDAY

	Rises	Falls	Same
British Funds	0	61	21
Corporations, Dominion and Foreign Bonds	2	4	14
Industrials	319	293	891
Financial and Properties	135	160	464
Oils	10	28	50
Plantations	1	1	8
Mines	26	36	93
Others	31	64	37
Totals	524	647	1,578

LONDON RECENT ISSUES

EQUITIES

Issue Price	Am'nt Paid up	Latest Renunc. Date	1991 High	1991 Low	Stock	Closing Price	+ or -	Net Div	Times Cov'd	Gross Yield	P/E Ratio
25	F.P.	-	39½	29	‡Airbreak Leisure 5p	38	+2½	d1.75	1.8	6.1	9.8
†	F.P.	-	110	105	Capital Ventures 1p	110		-	-	-	-
[illegible]											

FIXED INTEREST STOCKS

Issue Price £	Amount Paid up	Latest Renunc. Date	1991 High	1991 Low	Stock	Closing Price £	+ or -
[illegible]							

RIGHTS OFFERS

Issue Price p	Amount Paid up	Latest Renunc. Date	1991 High	1991 Low	Stock	Closing Price p	+ or -
31	Nil	-	5pm	3pm	[illegible]	3pm	
25	Nil	-	3pm	½pm	Mayflower Corp. 5p	1pm	
435	Nil	-	102pm	92pm	P & O Defd. £1	92pm	-3

a Annualised dividend. b Figures based on prospectus estimates. d Dividend rate paid or payable on part of capital, cover based on dividend on full capital. g Assumed dividend and yield. q Earnings based on preliminary figures. u Forecast or estimated annualised dividend rate, cover based on previous year's earnings. F Dividend and yield based on prospectus or other official estimates for 1990-91. H Dividend and yield based on prospectus or other official estimates for 1991. L Estimated annualised dividend, cover and p/e based on latest annual earnings. M Dividend and yield based on prospectus or other official estimates for 1991-92. N Dividend and yield based on prospectus or other official estimates for 1992. Q Gross. R Forecast annualised dividend, cover and p/e ratio based on prospectus or other official estimates. W Pro Forma figures. ‡ Offered to holders of ordinary shares as a "rights". † Introduction. § Placing price. ‡‡ Reintroduction. ‡ Unlisted securities market. ¢ Issued in connection with reorganisation, merger or takeover. pm Price at a premium.

TRADITIONAL OPTIONS

- First Dealings Sept. 9
- Last Dealings Sept. 20
- Last Declarations Dec. 5
- For settlement Dec. 16

For rate indications see end of London Share Service

Calls in **Aviva Pet., Brent Walker, MB-Caradon, Next, Natl. Home Loans, P & O warrants, Racal Elects. and Telemetrix. Puts in Ratners and Scottish Amicable.**

LONDON TRADED OPTIONS

Option	CALLS			PUTS		
[illegible]						

September 16 Total Contracts 32,336
Calls 17,243 Puts 15,093
FT-SE Index Calls 2,612 Puts 5,080
Euro FT-SE Calls 67 Puts 36
*Underlying security price. † Long dated expiry months. Premiums shown are based on middle prices.

UK COMPANY NEWS

Plans for further growth by acquisition

Enlarged Morgan Crucible improves 7% to £28.5m

By Roland Rudd

ACQUISITIONS helped Morgan Crucible, the industrial materials manufacturer, report a 7 per cent increase in taxable profits for the six months to end-June.

While operating profit remained static at £35m, pre-tax profit rose from £26.6m to £28.5m. Turnover was £310m (£284m).

Mr Bruce Farmer, chief executive, said more acquisitions would follow. Morgan is currently conducting due diligence audits in five companies, worth about £85m, which it is interested in buying.

Helped by cost reductions margins have remained static. A rationalisation programme resulted in the loss of 1,000 jobs last year and another 500 in the period under review to bring the total workforce down to 11,000.

Further job losses are expected and Morgan has earmarked £3m as an extraordinary item to cover redundancies in a factory which is soon to be closed. Mr Farmer said the item was being taken above the line because it would not recur.

Mr Farmer, while pessimistic about any possible UK upturn, said he remained confident about Morgan's future. Capital expenditure for the year-end is expected to have increased from £22m to £36m a year.

The interim dividend is raised from 5.49p to 5.75p. Fully diluted earnings per share fell from 11.7p to 10.2p.

Most of Morgan's business is now based abroad, with 37 per cent in North America and 24 per cent in continental Europe.

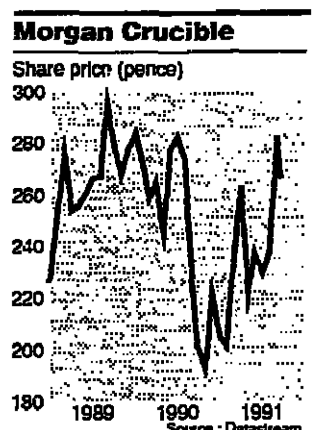
Mr Farmer said there were already signs of improvement in the North American market. "We believe the US will be the first out of the recession," he added.

The Carbon division increased its sales to £57.3m (£56.1m) and maintained its operating profits at £9.3m in spite of difficult trading conditions which affected industrial and automotive markets.

Thermal Ceramics boosted its profits to £11.7m (£10.8m) on the back of acquisitions. The newly-formed Specialty Materials and Technologies Division increased its profits to £9.4m (£8.6m).

The only division to report a fall was Technical Ceramics, which turned in operating profits of £5.1m against £6.3m previously. The company blamed adverse trading conditions in the Australian power distribution industry.

See Lex




Bruce Farmer: pessimistic about any UK upturn

Richmond pins hopes on gas field sale

Peggy Hollinger looks at an oil company's attempts to raise $20m

IN A last-ditch effort to avert a qualification from auditors, Richmond Oil and Gas, the London-listed US natural resources group, has had to delay posting its annual accounts to shareholders.

However, Mr David Wilkinson, joint managing director, said he expected the accounts to be sent in the next few days – without a qualification – once a deal which could raise between $15m (£8.8m) and $20m has been completed.

For Richmond, which develops low-risk oil and gas reserves, faces a severe liquidity problem.

Cost over-runs, disappointing assets and falling gas prices have taken a heavy toll on the group, which announced annual losses of £795,000 on turnover of £7.5m last month.

Yesterday's news was greeted with little surprise in the City. The share price has plunged from 173p in June last year to just 17p last night, reflecting a widespread and longstanding disillusionment with the group.

Richmond's immediate problems will only be solved by the sale of a 75 per cent stake in its coalbed methane field in the San Juan Basin in Colorado.

Mr Wilkinson said the group expected to sign a deal today. Since Richmond was floated in July 1989, it has spent some $14m developing the San Juan property.

Once the sale is completed, Mr Robert Fox, the group's relatively new non-executive chairman, maintains Richmond will return to profits. His ace, he says is the Richmond Ranch, a sprawling 100,000-acre property in west Texas, of which Richmond Oil claims 50,000 acres.

Mr Wilkinson says Richmond is in the unique position of owning complete operational control: it does not have to pay royalties on output, nor does it have to meet drilling requirements. "We can set the pace of our own programme."

Proven developed reserves of oil on the ranch are 4.5m barrels, while proven gas reserves stand at 40bn cubic feet. The group also claims a further 6.5m barrels of proven but undeveloped oil reserves, and 210bcf proven but undeveloped gas lies under the ranch.

But Richmond urgently needs cash to develop the field's potential. And there lies the rub.

Buying Richmond Ranch, which many analysts say was overpriced at $80m, depleted already stretched reserves.

Richmond Oil's liquidity problems are not new. Ever since its debut on the London stock market, it has been beset with troubles.

Of the four main properties with which it was floated, two have proved unworkable.

The Panhandle properties in Texas, which were by far the most highly valued in the prospectus at $30m proven and $50m probable reserves, are now virtually closed down.

Richmond has also relinquished its license on the Hayes field in Louisiana, without even drilling a well. That leaves San Juan, soon to be sold, and Richmond Ranch, which cannot be further developed until the deal is completed.

However, Richmond has won some praise for its Jicarilla joint venture with the Apache nation to explore 26,000 acres of tribal land. The company has farmed out exploration to American Hunter, a subsidiary of the Canadian Noranda group, and agreed a percentage of production profits in return. Yet Jicarilla's contribution to cash flow is some way away, say analysts.

It will take a lot to repair the company's City reputation. Problems have included the virtually ignored flotation in 1989 in which 85 per cent of shares were not taken up, and a disputed £31m cash call in October last year, after which underwriters County NatWest found itself holding 5.5m shares.

Mr Fox, who came to the group at the invitation of County NatWest after the rights issue, admits that Richmond has to work on its image.

"The credibility of our management has fallen to a very low level in London," he said.

Hillsdown buys ABF canning side for £20.6m

By Bronwen Maddox

HILLSDOWN Holdings, the food manufacturer, yesterday announced that it had bought Associated British Foods' canning and ready meals business for £20.6m in shares.

Hillsdown's HL Foods business is the UK's largest supermarket-brand vegetable canner, with a turnover of £170m in 1990.

ABF, the milling and baking group, was one of its main competitors, with a £50m turnover canning business.

Given Hillsdown's market share, estimated at over 20 per cent, some analysts yesterday questioned whether the deal would need OFT approval.

However, Mr John Jackson, deputy chairman of Hillsdown, emphasised that "canning should now be seen in a European perspective".

He said that, when merged, the two businesses would compete better with rapidly increasing imports from large European canners as the European industry consolidated.

Both companies specialise in peas, carrots, potatoes and baked beans, and in room-temperature ready meals.

Hillsdown's canning business has had a tough year.

Baked bean wars, destocking and rationalisation costs in 1990 cut canning profits by about £5m to £15m, analysts estimate.

ABF will receive 8.23m Hillsdown ordinary shares but will be restricted from selling them freely for two years.

Hillsdown also announced that it had acquired El Toro, the Dutch meat snack manufacturer, for an undisclosed amount. El Toro would be merged with Hillsdown's existing Dutch meat snacks business.

Hillsdown made pre-tax profits in 1990 of £191m on turnover of £4.2bn.

It had debt of some £500m at the year end, and a gearing of 72 per cent.

MEPC sells London property for £18.7m

MEPC, the UK's second largest property company, has sold an office building in London's Holborn to Deutsche Gesellschaft Fur Immobilienfonds (DEGI), managers of the largest open-ended German property fund, for £18.7m, writes Vanessa Houlder.

The deal is MEPC's third sale to continental European investors this year, reflecting their increasing importance in the UK property market.

The deal, via MEPC's Ortem Developments subsidiary, was struck on a net initial yield of 8.5 per cent. Part of the 40,000 sq ft building in Chancery Lane has been let to Denton Hall, Burgin & Warren, the solicitors, which pre-let 25,200 sq ft at a rent of £51 per sq ft in May 1990.

Back on the right track but not yet going fast enough

Guy de Jonquières on Dalgety's future as number two

MR MAURICE Warren, the unassuming chief executive of Dalgety, hardly comes across as a radical reformer. Yet since he was catapulted into the job less than two years ago, he has acted decisively to transform Dalgety's position as a company which had lost its way.

When Mr Warren took over, Dalgety was a loose assortment of food and agribusiness activities, with geographically scattered operations and an increasingly patchy earnings record. Its image in the City was poor, having been severely damaged by what many analysts regarded as the ill-judged acquisition of Gill & Duffus, a commodity trader, in 1985.

Mr Warren has instituted a far-reaching shake-up intended to rid Dalgety of poorly performing activities, improve efficiency and refocus the company on a narrower range of businesses, with emphasis on the UK and continental Europe. The changes included:

- The disposal of Gill & Duffus; of most of Dalgety Farmers, an Australian sheep business which is now heavily in loss; and of about a dozen other, smaller companies.
- The extensive reorganisation of the company from a geographic to a product basis and the removal of a tier of middle management. Dalgety's US headquarters has been closed and staff at its London head-office halved to about 50 people.
- Heavier promotion of the company's bigger consumer brands, such as Winalot and Kattomeat pet foods, Golden Wonder crisps and pot noodles, Spillers flour and Homepride baking products. Advertising spending has trebled to about £30m in the past three years.

Though the disposals were reflected in a fall in the company's pre-tax profits in the year to June, profit before exceptional items and earnings per share both rose slightly. Meanwhile, net gearing improved dramatically during the year from 37 to 18 per cent.

Having shown his skills as a cutter, Mr Warren will be judged in his third year of office by his success as a builder. "We're now at the stage where underlying growth becomes the priority," says Mr Alan Erskine, food industry analyst with Salomon Brothers, who believes the stock market has not yet appreciated the full extent of Dalgety's turnround.

Dalgety is sometimes faulted for lacking world leadership in any large foods market – a charge it vigorously contests. "Clearly, we haven't got a Mars Bar," says Mr Warren, but quickly points out that it is first or second in the UK markets for pet foods, crisps, pot foods and home cooking mixes.

"Being number two doesn't mean you can't make good money," says Mr John Martyn, Dalgety's finance director. "But you obviously make more money out of being number one."

Still, for a company with European ambitions, Dalgety's food business is heavily dependent on the UK. Though it owns a Dutch snacks business and recently bought small pet food and food ingredients companies in France and Germany, barely £100m of last year's £3.8bn turnover came from the continent.

Further acquisitions clearly figure prominently in Dalgety's expansion plans. "If the right acquisition came along at £100m-£200m and gave us a good European stake, we could make it – even if it threw out our gearing temporarily – because our investors now understand what we are trying to do," Mr Warren says.

However, he is cautious about the prospects. "There is a lot of talking going on in Europe at the moment, but finding the right business that is prepared to sell is very difficult," he says.

Meanwhile, it would hardly be surprising if Dalgety's improving fortunes earned it a place among the British food companies repeatedly canvassed by the City as potential targets for a large predator hungry for a bigger slice of the European foods business.

Dowding & Mills falls 28%

By Ivor Duce

DOWDING & MILLS, the electrical and mechanical repair group which has launched a hostile £13.6m bid for Torday and Carlisle, the engineering group, yesterday reported a 28 per cent fall from £11.72m to £8.42m in pre-tax profits for the year ended June 30.

The Torday board said in a statement that the offer was unwelcome and should be rejected. Reasons would be given but meanwhile holders should take no action. In the stock market Torday shares jumped by 26p to 90p, while Dowding lost 1p at 60p.

Dowding sales grew 5.6 per cent to £79.6m (£75.4m) but Mr Peter Hollins, chairman, said that the recession had not been just confined to the UK but had also been felt elsewhere, most notably on the continent of Europe. Both the Netherlands and Luxembourg turned in reduced sales and profits, while Germany had to absorb Stein and Vendel, a rewind company, the assets of which were bought last November. Profits were also reduced by £400,000 due to one-off costs related to redundancies.

Mr Hollins said that the board was continuing its policy of steadily increasing dividend payments and proposed a final of 1.52p to make a total of 2.4p, an increase of 11.1 per cent. Earnings per share amounted to 4.09p (5.96p), after tax of £2.92m (£4.11m).

On the future, the chairman said that the company was sensitive to changes in the various sectors of the economy. From its own indicators, it would appear that the recession started in October 1990 and bottomed out at the end of June.

UK COMPANY NEWS

Improvement on services side offsets fall in motor sales

Inchcape declines 5% to £91.3m

By Jane Fuller

INCHCAPE, the international motor distributor, marketing and business services group, saw pre-tax profit fall by 5 per cent from £95.8m to £91.3m in the half-year to end-June.

Improvement on the services side offset a fall in motors, which still accounted for nearly half of group profit.

The share price gained 10p to close at 402p, a new high, giving the group a market value of £1.5bn.

Turnover rose to £1.75bn (£1.67bn), while operating profit fell 11 per cent to £84m (£94.8m) with associated companies contributing £12.9m (£14.2m). Interest costs were more than halved at £6m (£13.4m).

Adverse currency movements knocked £5.2m off profits in translation and property gains were nearly £5m lower at £500,000.

Sir George Turnbull, chairman, said that in motors, where operating profit fell to £53.3m (£61.9m), Mann Egerton, the UK retail business, was affected by the fall in the new car market.

With UK new car sales forecast to decline to little more than £1.5m this year, the market was well below "the £2.3m to £2.4m needed to keep the motor industry healthy in this country," he said.

In this harsh environment, the Toyota distribution operation had gained market share. In Greece, Hong Kong and China, sales had increased.

In Singapore, however, motor imports were damaged by quota restrictions.

Marketing and distribution, which includes trade in building materials, pharmaceuticals and fashion goods, rose to £29.7m (£28.5m). Advances in Hong Kong and Japan were partially offset by a downturn in Singapore, where the Gulf war had curtailed Japanese tourism.

The biggest improvement came in services, which rose 32 per cent to £26m (£19.7m). Nearly two thirds came from insurance, including the broker Bain Clarkson.

Shipping showed modest improvement, inspection and testing took a big step forward, and buying services – for department stores – was turned round with the help of an acquisition and investment in information technology.

The sale of the group's tea interests produced an extraordinary gain of £12.6m (£3.4m), helping to lift retained profit to £48m (£38.1m).

After a reduced minority charge of £5m (£10.1m), earnings per share stay at 14.5p. The interim dividend is raised to 5p (4.8p).

Lydia van der Meer

Sir George Turnbull: Toyota arm gained market share

● **COMMENT**

Inchcape's share price has more than doubled in the past 12 months as its defensive qualities have come to the fore and as excitement has grown about the prospects for Toyota in Europe. The group's exposure to the UK is limited. Domestic profit accounted for only 23 per cent of the total, compared with just over 30 per cent from faster-growing economies in the Far East. The agreement with Toyota ties Inchcape to a bandwagon that should really start rolling in Europe in 1993, although by 1998 its share of Toyota GB will be reduced to 49 per cent. Turning to the businesses in its long-term control, the test will be to both build them up and prove that they can make combined progress, rather than simply proving a comforting swings-and-roundabouts profile. A full-year forecast of just over £180m pre-tax (£174m) gives a prospective p/e of nearly 15. With recovery prospects for UK motor trading thrown in, the stock is worth holding.

Growth continues at Tibbett & Britten

By Nigel Clark

DESPITE DIFFICULT trading conditions, Tibbett & Britten Group, the transport and distribution company, reported continued growth in the six months to June 29. Pre-tax profits improved by 17 per cent from £5.4m to £6.34m.

Turnover also advanced by 17 per cent to £84.3m (£71.8m). Mr John Harvey, chairman, said that almost all the increase was organic growth reflecting the impact of the previous year's developments including a substantial increase in activities for B&Q, the DIY chain.

During the period the company took over management of Digital Equipment's UK transport, obtained a contract with Sears to deliver women's wear to its chains and bought out the minority in Toronto-based Transcare.

The shares closed at a new high of 500p, up 4p on the day.

At the end of the period the company had net cash of £2.3m and the pre-tax figure was helped by net interest receivable of £194,000 against net charges of £423,000.

Earnings per share were 12.3p (10.5p) and the interim dividend is 3.4p (2.9p).

Strong growth continues at Medeva with rise to £4.02m

By Michiyo Nakamoto

MEDEVA, the independent pharmaceutical group, reported a surge in pre-tax profits to £4.02m in the first half of 1991 compared with the £522,000 it achieved in the first six months after it was formed.

The result was struck after taking £1.03m of pre-acquisition profits of MD Pharmaceuticals into the goodwill account. The trading results of MD, the US specialist drug company, acquired in May, were included from April 1.

Turnover rose 64 per cent to £33.2m (£20.2m) which reflected both organic growth and gains from acquisitions, the company said.

The group, which is chaired by Mr Bernard Taylor, a former Glaxo chief executive, has expanded rapidly with a string of acquisitions in the less than two years since it was formed in January 1990.

The strong rise in first-half turnover includes a contribution from Thomas Kerfoot, which was acquired in July last year, sales of products acquired from SmithKline Beecham in late 1990 and five months sales of Wellcome's vaccine business, which it acquired this January.

Despite its flurry of acquisitions the group is cash positive.

It has achieved a sharp fall in its research and development expenses with the reduction of R&D work on Contracan and the sale of its diagnostic products development company.

In addition, a rationalisation programme has been implemented in its Evans-Kerfoot generic pharmaceuticals division, which is expected to benefit the group towards the end of this year, along with the modernisation of its factory.

An interim dividend is declared for the first time of 0.5p. Earnings per share were 2.26p (0.48p).

The group has a stated strategy to become "a significant independent force in the pharmaceutical industry" through growth through acquisitions and internationalisation of national products.

As part of that strategy, it expects to make further acquisitions in the US.

DIVIDENDS ANNOUNCED

		Current payment	Date of payment	Corres-ponding dividend	Total for year	Total last year
Asda Property	int	0.65	Nov 1	0.6	-	1.85
Christies Intl	int	2.3	Nov 1	2.3	-	8.3
Dalgety	fin	11.35	Jan 2	11	18.5	18.15
Dowding & Mills	fin	1.52†	Oct 31	1.36	2.4	2.16
Ecu Trust	fin	1.3☆	Nov 1	-	1.3	-
FBD	int	1.6♣	Oct 25	1.3	-	3
FII Group	fin	7.75	-	7.25	12.75	11.25
Fisher (James)	int	2	-	2	-	5.5
Gabicci §	fin	2.85	Nov 11	2.6	4.25	4
Huntleigh Tech §	int	1.75	Oct 31	1.25	-	3
Inchcape	int	5	Jan 2	4.8	-	11.8
Lopex	int	nil	-	2.9	-	4
Medeva	int	0.5†	Oct 31	-	-	0.75
Metsec	int	2.7	Dec 10	2.7	-	6.4
Morgan Crucible	int	5.75†	Jan 6	5.65	-	12.4
Olives	int	3	Nov 1	3	-	9
Quicks	int	1	Nov 4	2	-	3
Ransomes	int	nil	-	2.05	-	6.15
Ratners	int	2.4	Nov 11	2.4	-	10
Rugby	int	2.85	Nov 22	2.85	-	6.45
Russell (Alex)	int	1	Nov 29	1	-	2.15
Scholes	fin	3.4†	Nov 11	5.22	5	7.82
Second Alliance	fin	23.5	Oct 25	22	35	33
Sharpe & Fisher	int	1.5	Nov 11	1.5	-	4
Tibbett/Britten	int	3.4	Oct 31	2.9	[illegible]	9.2

Dividends shown pence per share net except where otherwise stated. *Equivalent after allowing for scrip issue. †On capital increased by rights and/or acquisition issues. §USM stock. ☆Includes special of 0.3p. ♣Irish pence.

BOARD MEETINGS

The following companies have notified dates of board meetings to the Stock Exchange. Such meetings are usually held for the purpose of considering dividends. Official indications are not available as to whether the dividends are interims or finals and the subdivisions shown below are based mainly on last year's timetables.

TODAY

Interims- Brake Brothers, British Polythene, Brixton Estate, CI, Clyde Petroleum, Colorgraphic, Fisons, Golden Vale, Jeyes, Kingfisher, MB-Caradon, Pacific Assets Trust, Proudfoot (A), Sema, Tesco, Trinity Intl, United Friendly, Watmoughs.

Finals- AB Electronic, SWP.

FUTURE DATES

Interims-

Aspen Comms	Sep. 20
BHH	Sep. 23
Billam (J)	Sep. 23
Boosey & Hawkes	Oct. 1
Breedon	Sep. 20
Comso	Sep. 19
Dencora	Sep. 25
Donelon Tyson	Sep. 20
Evered Bardon	Sep. 27
Freeman	Oct. 8
Geest	Sep. 25
Gresham Telecomputing	Sep. 20
Grofund Intl	Oct. 10
Hawtal Whiting	Sep. 23
Hay (Norman)	Sep. 26
Inoco	Sep. 20
Magnolia	Sep. 19
Malaya	Sep. 26
Metalrax	Sep. 23
PFG Hodgson Kenyon	Sep. 23
QS	Oct. 8
Telemetrix	Sep. 19
Watts Blake Bearne	Oct. 1
World of Leather	Sep. 26

Finals-

Lloyd Thompson	Sep. 23
Macklow (A&J)	Sep. 24
SelecTV	Sep. 19
Yorkshire Television	Dec. 17

UK COMPANY NEWS

Rugby shares rise to 200p despite 21% fall to £27m

By Michiyo Nakamoto

RUGBY GROUP, the building materials company which supplies about one fifth of the UK's cement market, suffered a 21 per cent decline in profits in the six months to June 30. Pre-tax profits fell from £34.5m to £27.4m in the face of the severe downturn in world construction markets.

The interim dividend is maintained at 2.85p and the shares responded positively to the news, rising 4p to 200p.

The group continued to be cautious about the second half, stating that the much talked-about upturn in the UK had not yet materialised, although "there are faint signs that the worst may be over". Mr Peter Carr, managing director, said that lower interest rates had not come in time to have a beneficial effect on the second-half performance.

Rugby's main markets in the UK, US and Australia were all depressed in the first half by the effects of recession.

In the UK, where its cement business provides 40 per cent of overall trading profit, the group suffered a 29 per cent decline in profits to £10.3m (£14.6m).

Rugby was particularly vulnerable to the current recession as it is regionally biased towards the south-east, which has been the worst affected.

Joinery was down to £7.51m (£9.35m), while the steel division, which last year saw the end of a contract to supply reinforced steel to the Channel tunnel, fell to £1.03m (£1.56m).

In the US, the joinery companies "deteriorated further". Rugby said. The US market was severely hit by the effects of the Gulf war with a £578,000 first-half loss (£85,000 profit) concentrated in the first four months of the year.

Declines in operating profits from the European joinery and steel businesses were partially offset by a 41 per cent rise in the glass division to £805,000 (£570,000). The group was able to realise the benefits of heavy investment in its French glass transformation operations.

● COMMENT

The 21 per cent profits decline, following the 25 per cent fall at the year-end, failed to rub the shine off Rugby. The group has won acclaim in the City for its quick response to the deteriorating trading environment and its strong balance sheet, showing net cash of £5.5m. Even Rugby's 29 per cent fall in cement profits compares favourably with Blue Circle's 45 per cent drop. The interim results were on the better end of forecasts, lifting the shares and reassuring investors of the group's solid qualities. The market has pretty much discounted any recovery until at least 1992 and the 200p barrier looks a tough one to breach in the long term. However, the combination of its exposure to the housing market and the group's strong asset base (with shareholders funds conservatively estimated at about 90p per share and good cash flow approaching 20p per share) make Rugby one of the more attractive stocks in the industry. Full-year profits are forecast at £55m and give earnings per share of 13.1p, which looks undemanding, relative to its sector.

Ransomes suffers loss of £767,000

By Michiyo Nakamoto

RANSOMES, the grass machinery manufacturer, passed its interim dividend as it plunged into losses in the face of depressed sales, high interest charges and rationalisation costs.

The group reported pre-tax losses of £767,000 in the six months to June 30, against a profit of £7.47m on turnover down 19 per cent to £47.8m (£59.6m).

Trading overall had suffered from the effects of recession in its main markets in the US and Europe, while its European operations were hit further by a cold, dry spring which depressed sales in the commercial division.

The weak economic environment had hit the commercial and industrial side in particular as local authorities in the UK cut down on capital expenditure and the pace of golf course development had fallen, said Mr Bob Dodsworth, chief executive.

In view of an uncertain outlook in the second half, the group decided that "it is prudent not to declare a dividend until the results for the full year are known." The previous interim was 3.05p.

Operating profit totalled £4.53m (£12.29m), reflecting a 68 per cent decline to £3.52m (£11.12m) in the contribution from the commercial grass machinery and industrial products and vehicles division and a fall to £614,000 (£1.05m) from the consumer grass machinery business.

Some property disposals resulted in a contribution to operating profit of £397,000 (£132,000).

The result left Ransomes with a retained loss of £3.84m (£1.95m profit). Losses per share were 1.6p against earnings of 6.7p.

The reversal came despite substantial cost-cutting and destocking which was launched in the first half. Poor sales in 1990 had left it with high stock levels. Meanwhile, 13 per cent of the workforce has been made redundant, resulting in exceptional costs of £362,000.

Mr Dodsworth, warned that further consolidation of operations was likely to result in an extraordinary charge in the full year.

Buy-in puts £8m tag on Quiligotti

By Ian Hamilton Fazey, Northern Correspondent

QUILIGOTTI, the Stockport-based manufacturer and installer of terrazzo floors, has been taken over by a management buy-in team headed by Dr Roy Jenkins, the former managing director of Marley Extrusions, and backed by 13 institutions led by Edinburgh Fund Managers and Equitable Life.

Dr Jenkins' team has bought 66 per cent of Quiligotti shares from privately-owned Riordan Industries at 29p per share, valuing the company at £8.41m. An offer is being made for the remaining equity at the same price to deter sale to the buy-in team.

The shares, traded on the USM, closed 1p higher at 33p.

"If anyone wants to sell, we would prefer they did so through the market. We intend to keep the USM listing," Dr Jenkins said.

The minority shareholders include members of the Quiligotti family, headed by Mr Eddie Quiligotti, the Italian-born founder and current chairman. His sons Gerard and Paul are respectively managing director and sales and marketing director.

The company is recognised throughout the building industry as UK market leader in terrazzo flooring, used mainly in supermarkets, airports, and railway station concourses. It recently announced a large contract for Eurodisney in France.

Dr Jenkins said there would be talks with the Quiligotti family and management on Friday to discuss "their on-going active role in the business", which will retain the Quiligotti name and exploit its image.

Mr Eddie Quiligotti is expected to be offered the presidency of the company, with Mr Campbell Allan, former chairman of Norwest Holst replacing him as chairman. The other members of the buy-in team are Mr Michael Quinlan, formerly finance director of Tarmac Bitumen Roofing and Mr Maurice Fitzgibbon, former sales director of Tarmac Roofing Systems.

Lopex passes dividend after £916,000 loss

By Alice Rawsthorn

LOPEX, the marketing services group which has restructured its interests after a senior management row, is passing its interim dividend following a fall from pre-tax profits of £3.41m to a loss of £916,000 in the first half.

Mr Peter Thomas, who was appointed as chief executive a year ago after the surprise departure of Mr John Castle, said the group had been trading profitably since May and hoped to make a profit for the full year.

The shares were static at 50p on yesterday's announcement.

Lopex, like other marketing services companies, has been affected both by the recession and by the impact of the Gulf war on business confidence during the first six months of the year. Mr Thomas said its performance improved in the second quarter but not enough to eradicate the losses in the "awful first quarter".

Turnover in the six months to June 30 fell from £119m to £111m and operating profits from £698,000 to £80,000. The group paid £948,000 (£924,000) in interest. It produced losses per share of 4.1p (earnings of 7.87p).

In addition to the pressures of war and recession, Lopex also incurred costs associated with its recent restructuring when it rationalised its interests and sold a number of subsidiaries.

It has been left with surplus properties at a cost of about £1m a year. Mr Thomas said that "realistically" it could not expect to dispose of these properties until 1993. It also incurred redundancy costs of £500,000 in the first half. The closure of its Newcastle operation and costs associated with the departure of Mr Ray Fine, former chairman of the direct marketing company RCF, each cost £200,000.

Mr Thomas said the restructuring was largely completed. However, it was still in the throes of selling or merging a number of "minor loss makers" in the UK and overseas. He expected to complete this by the end of the year.

Lopex reduced its net debt from £13.9m to £7.6m at the end of the interim period by selling Overad and MEAL, two subsidiaries. It had rejected approaches for other businesses, said Mr Thomas, as it was not prepared to sell at "fire sale prices".

The group continued to trade profitably, he said, although the market was still "very difficult", particularly for recruitment advertising.

Amstrad-Marconi videophone next year

By Michael Skapinker

AMSTRAD and GEC Marconi are developing a video telephone which they intend to sell as a mass consumer product to be available from retailers by the third quarter of next year.

Amstrad said the telephone would be within the price range of its other consumer electronics products, which suggests that it will sell for less than £500.

It will have a flip-up colour screen measuring three inches by four inches with an inbuilt video camera allowing callers to see one another.

GEC Marconi will concentrate on the development of the phone's electronic data compression system, while Amstrad will be responsible for the design of the unit.

BT estimates that the European video phone market will be worth £1.7bn annually by 1995.

BT is a participant in the European Videophone Experiment (Eve-2), along with France Telecom, Deutsche Bundespost, Norway Telecom, PTT Nederland and SIP Italy.

Amstrad and GEC Marconi have collaborated previously in the manufacture of television satellite dishes. Satellite equipment was the only area of Amstrad's business to show any growth last year and the company has been looking for additional consumer products to add to its range. Although Amstrad has launched several new computers, it has found it difficult to recover from defects in products it sold in the late 1980s.

● Amstrad said yesterday that it is suing Seagate Technology of the US for over $150m (£87m) for allegedly supplying it with faulty disc drives which it used in its computers. Amstrad is expected to launch a second suit shortly against another unnamed US company.

Amstrad recalled 7,000 of its computers in 1989 after discovering faults in their disc drives. Earlier this year it said it would make an exceptional write-down against unsold computers of £20m, a sum equivalent to nearly half the previous year's pre-tax profits.

The company said it had begun proceedings against Seagate in California, where the US company has its headquarters. Amstrad said it was claiming compensation for financial loss and damage to its reputation. The Seagate disc drives were used in Amstrad's PC2386 computer.

Seagate said: "We feel the suit is without merit and it will be vigorously defended."

Fii declines to £7.2m in spite of record exports

By Joan Gray

DESPITE RECORD exports of £10.4m, Fii Group, the footwear and scientific equipment manufacturer, suffered a downturn in pre-tax profits from £8.75m to £7.15m for the year ended May 31, well below the £8.5m brokers' forecast.

The figure was struck after an exceptional charge of £750,000 to cover the full costs of redundancies in the footwear division.

Turnover was ahead at £80.3m for the 52 weeks against £74.4m for the previous 53 weeks.

Exports contributed 13 per cent against last time's 10.9 per cent.

Footwear continued to be the company's biggest earner, making £69.5m turnover and £6.22m exports. Within the division, the Lotus brand improved home sales by 14 per cent and exports by 26 per cent. Fiona Footwear more than trebled its exports to £2.8m.

"But it was a tough year," said Mr Monty Sumray, chairman. "The division met strong resistance to higher selling prices, exacerbated by the VAT increase during the second half of our financial year, while having to absorb higher costs. Net margins fell to 8.9 per cent, from 11.3 per cent. So, in order to safeguard our position without reducing manufacturing capacity or market share, we had to make substantial savings involving the reduction of the division's workforce by 8 per cent."

Fii's scientific and technical division increased its turnover to £10.8m (£10.5m) despite cutbacks in its customers' budgets. Profit was down at £960,000 (£1.51m).

Group earnings came out at 33.5p (40.2p) per share.

An increased final dividend of 7.75p (7.25p) is recommended, making a total of 12.75p (11.25p), covered 2.6 times.

The year-end cash balance stood at £7.8m.

"We are well placed to take advantage of an upturn in the economy, which appears more likely to occur in the second half of our current financial year," said Mr Sumray.

FBD advances 15% to I£4.4m

FBD Holdings, the Dublin-based composite insurer, lifted pre-tax profits by 15 per cent to I£4.43m (£4.05m) for the six months to end-June.

The increase from last time's I£3.86m came on turnover ahead to I£36.4m (I£32.1m). An interim dividend of 1.6p (1.3p) is declared, payable from earnings per 50p share of 6.17p (5.02p).

COMPANY NEWS IN BRIEF

ASSOCIATED BRITISH Foods has sold its food canning business, including Anglia Canners, Tayside Foods and Glenesk Foods to a Hillsdown Holdings offshoot.

BEAVERCO: Rights issue acceptances have been received in respect of 1.55m new ordinary shares (22.02 per cent). The balance of 5.5m shares will be placed with underwriters

CASTLETOWN PRESS is acquiring Darley Business Forms, of the UK, from Mr Nelson Loane in exchange for 61,077 shares, repayment of a shareholder loan of £665,000, and payment of certain acquisition expenses not exceeding I£80,000. Mr Loane will become chief executive of Castletown group. Castletown is also raising I£1.09m by the placing and open offer of 1.32m shares, at 90p each on a 1-for-2 basis.

COOK (DC) has sold its first Spanish petrol filling station site since it acquired Norfolk Espana in June to BP for Pta195m (£1.1m) cash. Scottish Amicable Investment Managers has also announced it has sold its 4.63 per cent holding.

EADIE HOLDINGS: Pre-tax loss for six months to June 30 increased to £354,000 (£204,000) on turnover of £9.64m (£11.7m). It has sold Aunic Engineering, the non-trading intermediate holding company of Astraflex, to Sermatech (UK), a wholly-owned subsidiary of Teleflex, for a total £2.45m in cash. Astraflex is a supplier of specialist bulk hose. The proceeds will be used to reduce borrowings.

GREENCORE's offer for Food Industries has been declared unconditional following acceptances in respect of 87.59 per cent of the ordinary shares.

MACARTHY: The recommended offers made by Lloyds Chemists have been extended until 3pm Friday, September 27. At September 13 the total number of Lloyds ordinary shares owned and valid acceptances amounted to 12.39m(45 per cent making 51.3 per cent with the 6.3 per cent owned by Centurion which is deemed to be acting in concert with Lloyds).Lloyds has received an irrevocable undertaking from John Govett on behalf of a discretionary client to accept the ordinary offer in respect of 4.62m Macarthy ordinary(16.8 per cent).

TRY GROUP: of recent rights issue acceptances received in respect of 98.4 per cent.

The Independent completes refinancing

By Raymond Snoddy

NEWSPAPER PUBLISHING, the company that publishes The Independent and The Independent on Sunday, has successfully completed an £8.25m refinancing.

Existing shareholders took up 61.8 per cent of the rights issue with the institutional shareholders subscribing for 31.8 per cent and the two principal shareholders, newspaper groups La Repubblica of Italy and El Pais of Spain, each agreeing to take 15 per cent.

The refinancing was agreed unanimously at an extraordinary general meeting yesterday.

The two newspaper groups had agreed to underwrite the issue, which was linked with a new £8m loan facility. If no other shareholders had invested the combined La Repubblica/El Pais stake would have risen to about 42 per cent.

As a result of taking up the slack in the rights issue the two newspaper groups will each have a total of 18.04 per cent of Newspaper Publishing.

The result will give a breathing space to Mr Andreas Whittam Smith, editor and chief executive of The Independent. Unless there is an unexpected further downward turn of the advertising recession, the £16m refinancing should be enough to see the company through to profit. To make sure there will be further cost-cutting the deal will be backed up with a likely wage freeze.

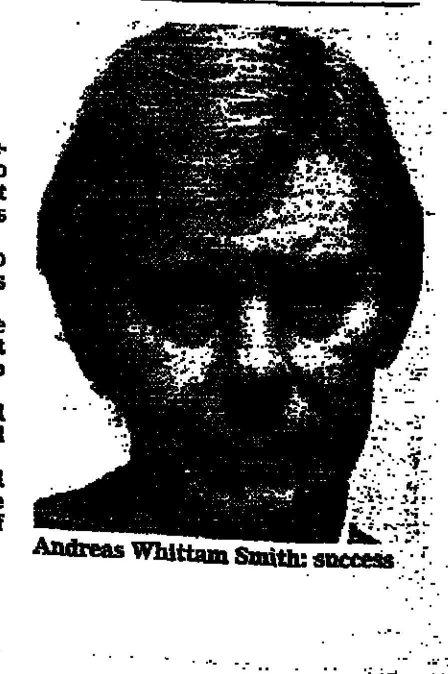
As an inevitable part of the arrangement the extraordinary meeting also removed the present 15 per cent limit on shareholdings in the company's articles of association.

Some consideration was given to imposing a higher limit but this was considered impractical.

This means that for the first time The Independent can be taken over, subject to monopolies legislation on ownership of newspapers.

At the EGM Mr Whittam Smith paid tribute to the company chairman Lord Sieff who is retiring.

Mr Whittam Smith said that Lord Sieff's contribution had been one of the essential factors behind the success of The Independent.



Andreas Whittam Smith: success

UK COMPANY NEWS

Impressionist slump knocks Christies

By Bronwen Maddox

THE YEAR-LONG slump in the modern and impressionist art markets sent Christies International's interim pre-tax profits plummeting from £40.1m to just £3m.

The auction house saw turnover for the six months to June 30 halved from £105.2m to £50.2m, a further deterioration on the £62m in the second half of the previous year.

Modern and impressionist art, previously half of sales, fell by 90 per cent and outweighed a 21 per cent rise in Old Masters which were boosted by Imelda Marcos' Philippines collection.

Nevertheless, the 160 job cuts early in 1991, the first for 15 years, helped convert second half operating losses of £282,000 to a £453,000 profit. The group announced yesterday that a further 40 job losses later this year would bring the staff total below 1,400.

A fall in cash balances to £15m from £30m in December 1990 and £52m in June 1990 pulled net interest received down to £2.4m (£4.1m).

Earnings of 0.98p (13.59p), only partly covered the maintained interim dividend of 2.3p.

Mr Christopher Davidge, managing director, said that while the second half would hardly hit the heady heights of 1989, there was a much greater mood of optimism around.

Rise in sales of Old Masters insufficient to make up for lower activity elsewhere

● **COMMENT**

Christies' impressive response to the recession at least allowed it to preserve the word "profit" in its interims, more than some analysts had expected. Two thirds of its costs are auction and print costs and these fell back when turnover slumped. The cuts in fixed costs were also admirably prompt – the job cuts were announced on the last day of the 1990 season. Few are suggesting that impressionist prices will soar back to the heights of the late 1980s. But they may nonetheless bounce, and the present strength in furniture, silver and Old Masters suggests that a modest upturn may be starting. On £10m pre-tax for the full year (£43.1m) and earnings of 3.3p (14.4p), the p/e of 54 certainly assumes that. Although the 24 per cent ADT stake continues to overhang the market, a sustained recovery would gradually translate to a higher share price.

26% fall at Scholes after interest and exceptionals

By Peggy Hollinger

INTEREST CHARGES and rationalisation and redundancy costs knocked back taxable profits at Scholes Group, the electrical installation company, in the year to June 30. Profits fell 26 per cent to £4.58m pre-tax.

The group also cut its final dividend from 5.22p to 3.4p, making a total of 5p (7.82p).

Turnover rose 11 per cent to £67.3m (£60.5m). Mr Bill Richards, finance director, said that virtually all of the increase in sales was due to the inclusion for 12 months of Dorman Smith, the industrial switchgear business bought in January last year.

Interest charges were sharply higher, also due to the acquisition, at £1.63m (£911,000).

Mr Reg Harrington, chairman, said he was encouraged by the group's performance. Scholes had maintained its overall margins despite a tough trading period, he said. Staff was reduced by about 13 per cent and management changed in three divisions.

Rationalisation and redundancy costs resulted in an exceptional charge of £1.03m (£446,000).

Mr Harrington stressed the importance of the joint venture with Asea Brown Boveri, the Swiss/Swedish engineering company. This would leave the group, which currently derives about 90 per cent of sales from the UK and some 45 per cent from the residential housing sector, well positioned to take advantage of the single European market in 1992.

The joint venture had also benefited Wylex, the group's principal subsidiary which manufactures circuit breakers and fuseboxes, by the inclusion of ABB products.

Earnings per share fell from 11.2p to 8.5p.

● **COMMENT**

The news of a cut in dividend did not shake the shares, which rose 3p to close at 111p. The yield is a healthy 5.8 per cent, well above the market average. Scholes already has a reputation for quality and solid management, and the joint venture with ABB can only enhance that. The resulting broadened product range has steadied the order book and it should show a consistent improvement over the next year. The biggest problem remains recession. If the latest news of an upturn in housing starts to bear fruit, then Scholes could benefit quite significantly. On the worst-case scenario, forecasts are running at £5m profits for next year, giving prospective earnings per share of about 9p. However, the bulls are looking for £6.7m, with earnings of 12p. The shares look cheap at the moment.

Quicks in black with £368,000

By Ivor Duce

AFTER INCURRING a loss of £2.35m in the second half of last year following an exceptional charge of £2.34m, Quicks Group, the north-west and Midlands motor distributor, moved back into the black in the six months to June 30.

Pre-tax profits, after exceptional items of £330,000 (£1.17m) and employee share scheme – £18,000 against £85,000 – fell from £1.7m to £368,000.

The profit, however, was achieved against turnover down from £126m to £107m.

Mr Norman Quick, chairman, said that although Trafford Park Leasing continued to suffer from unsatisfactory broker-introduced business in the commercial vehicle market, he was confident that provisions being made throughout 1991 were adequate to cover any further defaults.

There was no doubt, he said, that the group remained in a strong recession, with new car registrations for the half-year down 25 per cent on the previous year and sales of commercial vehicles 40 per cent lower; the depressed level was continuing in the second half.

The interim dividend is halved to 1p – last year's final was reduced from 4p to 1p – with earnings per share down to 1.6p compared with 7.2p.

Tax took £70,000 (£452,000) and £57,000 was written off for extraordinary items (£84,000 credit).

CE Heath sells reinsurance arm

By Bronwen Maddox

CE HEATH, the insurance broker, yesterday sold Pinnacle, its specialist reinsurance business, for $63.7m (£36.8m).

The buyer was Centre Reinsurance, a subsidiary of Zurich Insurance Company, one of Europe's largest insurance groups.

Pinnacle contributed £4.6m to the group's pre-tax profits of £25.6m in the year to end-March 1991, and represented £31.1m of its year-end net assets of £50m.

Growing competition in reinsurance would soon have required Pinnacle to take on underwriting risks and commit more capital, said Mr Peter Presland, chief executive.

Heath set up Pinnacle in the 1980s to specialise in "time and distance" policies, a highly-specialised form of financial reinsurance which for many years enjoyed high margins and small risk.

The purchaser already owns a Bermuda-based financial reinsurer, one of Pinnacle's main competitors.

Some £20m of the proceeds would be used to cut Heath's debt of £45m, reducing gearing from 55 per cent to below 30 per cent. The balance could be used to expand the core broking business, Mr Presland said.

To allow Centre Re to buy Pinnacle's business, not the whole company, Pinnacle would be sold first to Vertex, a new company owned by Pinnacle's executive management, and the contracts then transferred to Centre Re's subsidiaries.

Analysts had thought that long-standing litigation between Pinnacle and the liquidators of Mentor Insurance, the Bermuda insurer owned by Ocean Drilling and Exploration Co, might frustrate Pinnacle's sale, but Heath announced yesterday the mutual release of all claims.

The group has yet to declare the date of the extraordinary general meeting to approve the transaction.

Single premium fall hits Irish Life

By Tim Coone in Dublin

IRISH LIFE, the Republic's biggest insurer and fund manager, yesterday reported total premium income of I£324.9m (£297m) for the first six months of the year, an advance of I£4.5m on the same period in 1990.

The company was privatised in July this year, and as indicated in its offer document, no interim dividend is to be paid, although in a statement to shareholders Mr Conor McCarthy, chairman, said that it was the intention to recommend a final of 5.44p for the current year.

The company achieved 15 per cent growth to I£28.4m in new business in recurring premium sales in Ireland, its main focus of activity, and had a particularly strong showing through Interstate, its US subsidiary, with new business sharply ahead from I£17.9m to I£43.7m.

Group pension business in Ireland was also buoyant recording a 29 per cent increase over last time.

New single premium business, however, was down by 32 per cent, from I£99.7m to I£67.9m, a result of the fall in investment markets in Ireland in 1990. However, Mr McCarthy pointed out that this still represented an increase in market share.

New single premium business in the UK was unchanged at I£10.4m.

Davy, the company's stockbrokers, said that the results were in line with expectations and that other companies had taken a similar "hammering" on single premiums in the first half of the year, but that an upturn is expected in the remainder of 1991.

Meanwhile, Irish Life France, a wholly-owned subsidiary, has received authorisation to carry out both life and non-life business in France where it plans to invest I£25m over the next four years.

"We hope to start in early 1992" the company said. One of the rationales behind the privatisation was to develop the company's international insurance arms.

NEWS DIGEST

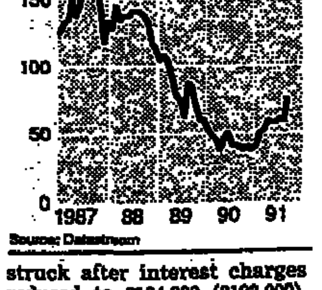
Gabicci shares jump on 6% rise

SHARES OF Gabicci jumped 16p to 76p yesterday after the USM-quoted casual clothing group bucked a depressed sector trend to report a 6 per cent improvement in annual profits.

The growth over the 12 months to June 19 – from £1.35m to £1.43m pre-tax – was struck after interest charges reduced to £104,000 (£193,000). Sales totalled £24.5m (£25m).

Gabicci

Share price (pence)



Source: Datastream

Mr Jack Sofier, chairman, said the core Gabicci brand was expanding in export markets, while he described trading at Shemesh Fabrics, which supplies woven cloths to clothing manufacturers, as "buoyant".

However, the troublesome Coconut Club and Gransden operations both experienced a "difficult year" as the recession took its toll.

Earnings per share emerged at 8.8p (7.9p). A proposed final dividend of 2.85p brings the total for the year to 4.25p (4p).

Huntleigh Tech up 36% to £932,000

Huntleigh Technology, the USM-quoted medical equipment manufacturer, reported a marked improvement in profits for the six months ended June 30. Profits at the pre-tax level advanced 36 per cent from £684,000 to £932,000. Turnover advanced 19 per cent from £8.26m to £9.8m.

Mr Rolf Schild, chairman, said that both sales and rentals of the healthcare division continued to expand through organic growth and the introduction of new products; the German subsidiary had increased its contribution and there has been strong growth in the US market.

Difficulties in the sensors and systems division have been resolved. Mr Schild reported that the division is now trading profitably again and there had been a significant influx of orders over the past few months.

After tax of £335,000 (£252,000), earnings increased to 7.02p (5.1p) per share, and the interim dividend is raised 40 per cent to 1.75p (1.25p).

Alexander Russell drops to £908,000

The recession reaching Scotland and poor weather in the first quarter combined to push down both profits and turnover at Alexander Russell, the Glasgow-based quarrying, concrete and coal company.

Pre-tax profits for the six months to June 30 fell 29 per cent from £1.29m to £908,000. Turnover dropped from £18.8m to £18.2m.

The overall decline was felt most strongly in the company's block and paviour factories. Its expanded roof tile operations performed better than expected and the coal division returned to profitability.

Earnings per share came out at 1.4p (2.24p) and the interim dividend is maintained at 1p.

Ecu Trust net assets move ahead to 51.6p

The Ecu Trust, managed by Gordon House Securities, reported a net asset value of 51.6p per share at June 30 – a rise of 8 per cent on the 47.8p at the launch in July 1990.

The latest available figure, for August 30, was 55p.

Net revenue for the 11 month period amounted to £506.238 for earnings of 1.69p per share. A final dividend of 1p is recommended, together with a proposed special distribution of 0.3p.

Precious Metals liquidation

Precious Metals Trust is due to go into voluntary liquidation in December and arrangements are being completed for shareholders to re-invest in units of the M&G Gold & General Fund if they so wish.

The investment will be at a discount equivalent to the managers initial charge. Details should go out in October and the meeting for winding-up is called for December 3.

Over the year to July 31 net asset value had fallen 9 per cent to 152.3p per share and by September 9 had declined further to 138.5p. Since inception in September 1981 the trust's net asset value had increased by 70 per cent, allowing for dividends, while the price of gold dropped by 12 per cent, directors said.

Over the year net revenue came to £288,000 (£253,000) for earnings of 2.4p (2.11p). The dividend is stepped up from 2p to 3p, payable as an interim.

Lapse into losses at Sharpe & Fisher

Due largely to "a very poor first half" in the building supplies company, Sharpe & Fisher, which also has interests in property, tumbled from profits of £853,000 to pre-tax losses of £436,000 in the six months to June 30. Turnover fell from £23.3m to £21m.

The building supplies side incurred losses of £252,000 (profits £709,000), while profits of the property side fell less sharply to £679,000 (£1.11m). Central costs and interest of £863,000 (£967,000) were enough to plunge the group into losses.

Losses per share were 1.4p (earnings 2.7p) and the interim dividend is held at 1.5p. Mr Charles Fisher, chairman and chief executive, said that there had been a number of "false dawns" in the housing and construction markets and that this made the company very cautious about predicting any upturn in business.

Net assets up 12% at Second Alliance

Net asset value of The Second Alliance Trust amounted to £13.61at July 31, a rise of 12.2 per cent over the year.

Directors attributed the rise to good showings in all markets, particularly the US.

Net revenue improved to £6.96m (£6.48m) for earnings of 36.1p (33.61p) per share. A proposed final distribution of 23.5p lifts the total to 35p (33p).

Olives more than doubles to £534,000

A recovery was announced by Olives Holdings, the papermaking and property development group, with pre-tax profits for the first half of 1991 more than doubled at £534,000, compared with £261,000.

Turnover was more than £1m down at £1.46m (£2.56m) but the cost of sales tumbled to £786,000 (£2.23m). Mr Michael Kent, chairman, pointed out that the limited turnover reflected not only the current state of the market but also the company's conservatism and the completion of its forward property sales.

Continental Paper, the 40 per cent-owned associate, continued its recovery, with much improved production and cost levels under the equity-owning new management.

After tax of £172,000 (£85,000), earnings per share were 4.96p (2.29p); the interim dividend is maintained at 3p.

Thompson Clive Inv down to £354,000

Pre-tax profits at Thompson Clive Investments, which is currently concentrating on the medical sector, fell from £365,000 to £354,000 in the six months to June 30. Revenue was down from £751,000 to £718,000.

Net asset value per share was 166.7p at June 30. This was down from 172p the year before, but ahead on the 163.8p at the year-end.

No interim dividend is payable but it is anticipated that a final dividend will be recommended.

Prices for electricity determined for the purposes of the electricity pooling and settlement arrangements in England and Wales

1/2 hour period ending	Provisional Price for Trading on 17.09.91: Pool purchase price £/MWh	Final Prices for Trading on 20.08.91: Pool purchase price £/MWh	Pool selling price £/MWh
0030	16 11	15.84	15 84
0100	16 02	15 64	15 64
0130	16 01	15.52	15.52
0200	16.01	15 52	15.52
0230	16.01	15 52	15.52
0300	16.01	15.52	15.52
0330	16 01	15.52	15.52
0400	16 02	15 52	15 52
0430	16 01	15.52	15.52
0500	16 02	15.56	15.56
0530	16 03	15.64	15 64
0600	16 03	15.67	15.67
0630	16 11	15 84	15.84
0700	18 71	16.34	16 34
0730	20 48	17 01	18.56
0800	22.14	18 64	20.26
0830	27 26	18.67	20.29
0900	31.51	22.60	24 36
0930	34 15	25.54	27.34
1000	36 13	25 60	27 41
1030	36 10	25.59	27 41
1100	38.40	25.56	27.37
1130	43 04	25.65	27.36
1200	46.84	22 68	24 44
1230	43 37	22.61	24 36
1300	36 19	22.55	24.27
1330	28 94	23.24	23.24
1400	26.90	22.47	24 17
1430	26 09	22.48	24 18
1500	26.05	22.48	24.16
1530	26.20	22 46	24 16
1600	27.91	22.46	24.17
1630	30.70	25.31	27.07
1700	32 04	22.60	24.23
1730	29 76	22 49	24.22
1800	26.14	32.47	24 19
1830	18.07	22 44	24 16
1900	24 18	22.44	24.16
1930	24.58	22.44	24.18
2000	24 62	18.34	19.95
2030	24 84	22.44	24 20
2100	24.51	22.44	24.21
2130	23.53	22.44	24.19
2200	20.45	22 44	24 16
2230	18.95	19.86	21.49
2300	18.30	18 12	19 71
2330	17.83	17.66	19.24
2400	17 73	17.68	19.25

Prices are determined for every half-hour in each twenty-four hour period. Prices are in pounds per megawatt-hour, rounded to two decimal places. To convert prices to pence per kilowatt-hour the decimal point should be moved one place to the left, eg £16.88/MWh becomes 1.688p/KWh. Provision for the determination of pool prices is made in the Pooling and Settlement Agreements which govern the operation of the electricity pool in England and Wales. The Pool Purchase Price is the basis of the majority of payments made to generators in respect of electricity traded through the pool. The provisional Pool Purchase Price is subject to revision or correction until final pool prices are determined approximately twenty-four days after the day of trading. Pool Selling Price is the price paid by purchasers of electricity under the pool trading arrangements. It is dependent upon the determination of Pool Purchase Price. Final pool prices are also capable of revision.

NGC Settlements Limited

COMMODITIES AND AGRICULTURE

Broker drafts plan to boost coffee earnings

By David Blackwell

ONE OF the world's leading coffee trade houses has drafted plans that it believes could boost the annual export earnings of coffee exporters by more than half.

Such an increase – equivalent to \$3.5bn – would take the world coffee trade back to the level it enjoyed before the collapse of the International Coffee Organisation's export quota system in July 1989.

E.D. & F. Man, the London based trade house, has produced its plan just a week before the ICO annual meeting, which starts next Monday. So far market attention has been focused on the attempt by Brazil and Colombia, the world's two leading producers, to get agreement among producers on a scheme to retain 10 per cent of exportable production.

Man says the retention plan "appears to have been developed as a short-term solution in the absence of political consensus on the future of the ICO. . . We feel that stocks retention should be seen as a transitional process, leading into and consistent with a new international coffee agreement which would subsequently enter into force."

The collapse in world coffee prices has left producers unable to cover their costs, and "there is growing evidence that farms are being neglected and coffee quality is declining". A new coffee agreement needs to guarantee supplies of quality coffees at remunerative prices through a system that is flexible, market-driven and provides enough stability to provide long-term planning.

This could be done by creating single world market; by the use of selective and flexible quotas; and through other measures including promotion and diversification, Man suggest.

The single market is required to stop the recreation of one of the biggest faults in the old agreement, which led to consumer countries outside the ICO getting coffee at knockdown prices. Consumers outside the ICO should be given incentives to join, says Man.

Quotas for arabica and robusta coffees should be independent of one another and have their own price ranges. Countries producing both types should have two separate quotas. Producers would have to hold verified reserves in order to guarantee supplies.

According to Man such measures would lift Brazil's export earnings from \$1.46bn in 1990-91 to \$2.4bn in 1992-93, and Colombia's from \$1.42bn to \$2bn. However, producers who feel they are "winning" in the free market may be unwilling to compromise, it admits.

Big uranium producer sees gloomy price outlook

By Kevin Brown in Sydney

URANIUM PRICES are unlikely to strengthen for the next two years, Energy Resources of Australia, one of the world's largest uranium producers, said yesterday.

ERA, which is 65 per cent owned by North Broken Hill Peko, the Australian resources group, *said in its annual report* that revenue and profits would fall unless there was a "fundamental change" in market conditions. "The years immediately ahead will be a testing time for ERA, indeed for all uranium producers," the board said.

Uranium prices have fallen from US\$40 to US\$9 a lb on the spot market over the last decade, and are now below the cost of production at ERA's Ranger mine in the Northern Territory.

Mr Richard Knight, managing director, said ERA had become a major buyer of uranium on the spot market to fulfil US contracts and maintain global market share. He added, however, that it intended to give priority to securing federal government approval for the development of the Jabiluka uranium deposit, a few kilometres from Ranger. Jabiluka was acquired for A\$125m from Pancontinental earlier this year after Pancontinental failed to persuade the government to relax regulations limiting Australian uranium production to three named mines.

Mr Knight said ERA hoped to bring it into production by 1994-95, when it forecasts a rise in uranium prices following a drawdown from stocks. "We are about to launch into a feasibility study, which will take about 18 months, and we will then present our case to the government," he said.

The ruling Labor Party has said the regulations will not be relaxed, but the opposition Liberal Party has said it will allow development of Jabiluka if it wins the federal election, due by 1993.band

Rossing Uranium, the Namibian producer in the RTZ group, has announced a 24 per cent cut in production as a result of the weak uranium market, writes by Philip Gawith in Johannesburg.

Production at Rossing will decrease to a level of 2,500 short tons (2,000 lb each) a year with effect from September 26, from the present level of 3,250 tons a year. This means the mine will be operating at about half-capacity. Some 750 workers will be laid off.

Mr Jonathan Leslie, managing director of Rossing, said that changes in the Soviet Union had brought considerable quantities of Soviet and eastern European uranium on to the world market at prices far below the production costs of most mines, including Rossing. This had scuppered Rossing's hopes of penetrating new markets and securing further sales contracts after Namibian independence, in March 1990, and the lifting of sanctions.

Mr Leslie said the restructuring programme would lower the unit costs of Rossing's production, bring production closer to actual contracted sales of uranium and make the company more competitive for future sales opportunities.

Despite the adversity, Rossing is confident that it has promising long-term prospects. It believes the stockpile overhanging the market will decrease, improving the price.

Australia 'not anti-mining'

By Kevin Brown

AUSTRALIA'S FEDERAL government yesterday urged mining companies not to act on threats to divert exploration expenditure overseas following the rejection of proposals for gold and uranium mines in the Northern Territory.

The government recently blocked plans for a gold mine at Coronation Hill after aborigines said that mining would disturb a sleeping spirit. Ministers have also refused to relax regulations on uranium mining to allow development of the Jabiluka uranium deposit.

However, Mr Alan Griffiths, the federal governments resources minister, told a mining conference here that the industry should not interpret the decisions as evidence of a negative approach to mining by the government.

"No fair observer, weighing those two decisions against the overall record, could conclude that this government was anti-mining," Mr Griffiths said.

The battle over Coronation Hill showed how bitter problems of land access could become when the interests of conservationists, aboriginals, miners and the wider community were in conflict, he said.

However, Mr Campbell Anderson, chairman of the Australian Mining Industry Council, repeated warnings by industry leaders that the Coronation Hill and Jabiluka decisions could lead to an outflow of exploration dollars. "We expect a sensible approach to land access for exploration and development, an approach which protects that which should be protected while properly managing development in areas of lesser worth," he said.

Meanwhile, aboriginal opposition to plans by Dominion Mining for a A\$350m nickel project at Yackabindie in Western Australia was strengthened by the intervention of the Mutitjulu tribe at Ayers Rock, more than 1,000 km (600 miles) away in the Northern Territory.

The federal government has said it will not interfere with the proposed mine, which has approval from the Western Australian state government. However, tribal leaders said mining would disturb the carpet snake, a spiritual symbol of the Mutitjulu, which they believe passed through Yackabindie during the Dreamtime, the Aboriginal creation myth.

Little progress made at talks on cocoa agreement

LITTLE PROGRESS was made towards a new international cocoa agreement at the International Cocoa Organisation talks in London last week. Even a possible solution to the problem of the \$152m debt to the organisation's buffer stock appeared to run into trouble almost immediately, writes David Blackwell.

Producers had proposed to repay 7 per cent of the debt in stages up until the end of September next year, when the current agreement, which is purely administrative, runs out. This proved, however, to be unacceptable to consuming countries.

Not enough delegates had a mandate for discussing a further proposal that 10 per cent of arrears should be repaid over the coming year, with the system continuing through the period of a new agreement until the debt was cleared. The council will reconvene to consider this proposal on November 13 to 15.

However, Brazil, which is the second biggest producer after the Ivory Coast and owes \$25m of the debt, said after the talks ended on Friday that it might still not be in a position to begin repayments in November.

The November meeting will include the preparatory working group which is looking at the future of the cocoa agreement. Most producer countries believe the future of the cocoa agreement lies with export quotas and a buffer stock.

Ireland cracks down on growth hormone

By Tim Coone in Dublin

A MAJOR seizure of "angel dust", and other farm animal growth hormones, has been made by the Irish authorities in what appears to have been their biggest crackdown yet against the trafficking of these banned substances.

According to a Department of Agriculture official in Dublin "several van-loads" of a "cocktail" of banned veterinary products were seized in a raid by police and agriculture department officials late last Friday at a business premises in the county town of Kildare. Although no precise figures have yet been given, the haul is thought to have a potential farm-gate value of tens of millions of pounds. One kilogram can cost up to I£40,000 on the black market.

Supplies into Ireland were previously thought to have come from the US or France, but Friday's raid followed a tip-off from the Dutch police force, which had raided a pharmaceuticals plant, Dopharma, in the Netherlands two weeks ago where they discovered "angel dust" was being illegally manufactured. Dutch police are reported to have claimed that they had dealt a major blow to the "angel dust" black market throughout Europe.

Clenbuterol, the chemical name of "angel dust", has become the miracle drug for farmers in the beef industry who are facing steadily lower prices as the EC seeks to reduce its beef "mountain". A few grams of the substance injected or fed to a fattening animal rapidly converts body fat into meat, bringing price premiums to the grower with no extra outlay on food costs. Meat quality, however, is considerably reduced, and it is thought that farmers selling meat into EC intervention stocks rather than to the fresh market have been the ones most tempted to utilise the drugs on their livestock, despite facing heavy fines if they are caught. About 230,000 tonnes of Ireland's total beef exports of 365,000 tonnes were sold into intervention last year.

West German farmers go back to their roots

Large blocks of land farmed in co-operatives under communism offer attractive economies of scale

WHILE WORKERS from the former East Germany flood across the old border in search of jobs in the west farmers are heading in droves in the opposite direction.

Some hope to reclaim land and property confiscated by the communists in the late 1940s. Others see the 1.9m hectares (4.75m acres) over which ownership is in dispute, as a golden opportunity to expand their businesses.

Furthermore, eastern Germany with its large fields and the even larger blocks of land previously run by co-operatives or the state, offers them the chance to cash in on economies of a scale denied them in the west of the country.

Half a century years ago, much of Germany was composed of large estates with many tenant farmers running a few hectares each. This was particularly true in the east.

When communist rule was imposed there the farms were amalgamated and most of the barriers between fields and farms were removed. The result was great expanses of land often stretching to several hundred hectares and ideally suited to high horse-power machines.

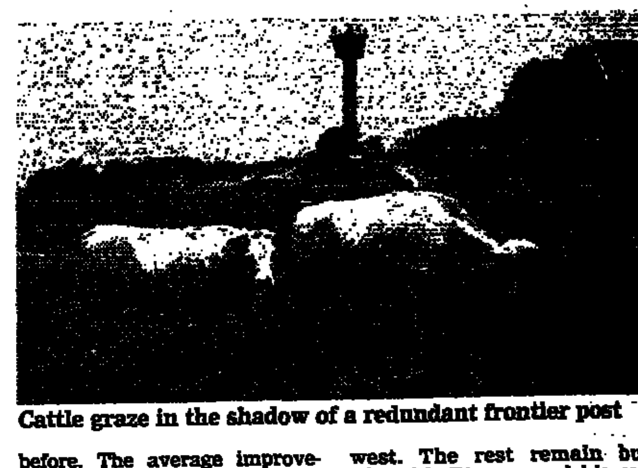
In the west, meanwhile, there have also been changes in the structure of the farming. In contrast to the east, however, capitalism dictated the demise of the smallest farmers in favour of a greater number of owner-occupiers on medium-sized holdings together with the growth of part-time farming.

Typical conservative instincts have also meant that traditional small fields, often in strips across the countryside, owned and farmed by different people, still survive.

So, eastern Germany holds obvious attractions for farmers in the west. But there remains the matter of the people who have worked and lived on the land for the last 50 years.

Legal arguments about title to land will inevitably continue for some time and the job of adjudicating over them falls to the Treuhand in Berlin, the government body that is attempting to sort out the mass of property issues following reunification.

In the meantime, however, western German farmers are already making their presence felt in the east. Many are acting as advisers to existing co-operatives while others are already in place and farming successfully. Where this has happened, yields of cereals, for instance, are reported to have been significantly higher in the harvest just past than the year before. The average improvement is estimated at about 8 per cent while increases of 30 per cent over last year have been claimed.

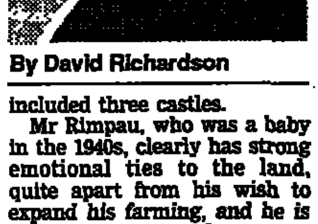


Cattle graze in the shadow of a redundant frontier post

This has generated a sense of excitement among western German farmers with eastern intentions. Over the weekend I visited two such individuals on their western German farms.

The family of Mr Jurgen Rimpau, a tenant on 300 hectares in Lower Saxony, was evicted from a large farm near Magdeburg, in eastern Germany. Before the war, his father was one of Germany's major cereal seed-breeders and the property they had to leave

FARMER'S VIEWPOINT



By David Richardson

included three castles.

Mr Rimpau, who was a baby in the 1940s, clearly has strong emotional ties to the land, quite apart from his wish to expand his farming, and he is desperate to get at least some of it back. It appears, however, that the best he can hope for and afford is that a consortium of three other previous landowners from the area and himself may be able to rent 2,500 hectares on an 18-year lease with an option to buy at any time during the period.

He expects that it will take the Treuhand some time to authorise this and the earliest he expects to be able to farm the land is next autumn. In the meantime, he is visiting the farm twice a week to get to know the soil and the people who work it. In the past, the farm in question employed 490 people. Half of them have already left for jobs in the west. The rest remain but when Mr Rimpau and his colleagues take over they expect to employ no more than 20 to 25.

The social problems that will be faced by this one community are clearly immense and there are no easy answers. Meanwhile, Mr Rimpau is agonising over whether to move from his comfortable home near Einbeck back to his ancestral home.

Mr Philip von dem Bussche, on the other hand, has no intention of moving east from his 700-hectare family estate near Bad Essen. Even before reunification he became a consultant to a 2,200-hectare estate near Leipzig.

When the Berlin Wall came down, this led to an invitation from the managers of the farm for him to become a partner with them in modernising the management. He accepted and is now part of the team but his involvement did not include investment.

Here, too, there were labour problems. In the past, the estate had employed 120 people. Now it needs only 10 and Mr von dem Bussche claims the farm looks better and is producing much more than it did previously.

The redundant workers, however, have been employed by an international parcel service which Mr von dem Bussche was able to attract to the village.

Clearly this is an ideal solution to a considerable social problem. But, as Mr von dem Bussche explained, it is virtually unique.

Production from eastern German farms, however, seems set to soar over the next few years as western techniques and management methods are widely introduced. That, in turn, will exacerbate the already-intractable problem of EC surpluses. But at present, as they head west in search of big blocks of land, that problem is very low on west German farmers' list of priorities.

WORLD COMMODITIES PRICES

MARKET REPORT

Nickel prices fell below the \$7,700-a-tonne level on the LME, closing at 18-month lows. Dealers said the losses reflected merchant sales of cash metal, which established a discount of around \$25 compared with a slight premium last week. The market has shrugged off production cuts by Inco and Falconbridge, as well as news that Inco Indonesia is to shut one of its three furnaces for five months from November for an overhaul. Demand prospects are poor, and the market could fall towards \$7,500 if there are no further production cuts. Copper retreated after three-month metal fell below \$2,300 a tonne, sparking liquidation. Liquidation and technical selling hit aluminium prices after chart support was breached at \$1,250 a tonne for three-month metal. On the London bullion market, gold advanced on the back of gains in silver, which saw some follow-through buying after Friday's cut in the US discount rate. But gold sentiment remains bearish, with operators expecting further retreats unless significant physical uptake is seen. In Chicago soyabeans were holding sharp gains at midday in reaction to forecasts for possible frost this week in the US Midwest, where beans are still vulnerable.

Compiled from Reuters

London Markets

SPOT MARKETS

Crude oil (per barrel FOB)		+ or -
Dubai	\$17.35-7.40z	+.125
Brent Blend (dated)	\$20.45-0.55	+.125
Brent Blend (Nov)	\$20.40-0.45	+0.20
W.T.I. (1 pm est)	\$21.70-1.75z	+0.15
Oil products (NWE prompt delivery per tonne CIF)		+ or -
Premium Gasoline	\$246-248	+1
Gas Oil	\$194-195	+2.5
Heavy Fuel Oil	\$70-72	+1
Naphtha	\$201-204	
Petroleum Argus Estimates		
Other		+ or -
Gold (per troy oz)♣	\$345.85	+1.45
Silver (per troy oz)♣	406.5c	+8.0
Platinum (per troy oz)	\$350.0	+2.75
Palladium (per troy oz)	\$82.25	+0.75
Copper (US Producer)	111.0c	
Lead (US Producer)	35.0c	-1.0
Tin (Kuala Lumpur market)	15.15r	+0.08
Tin (New York)	258.5c	
Zinc (US Prime Western)	62.0c	
Cattle (live weight)†	104.15p	-0.27*
Sheep (dead weight)†	107.65p	-2.56*
Pigs (live weight)†	78.60p	+9.07*
London daily sugar (raw)	\$234.5j	-1.0
London daily sugar (white)	\$265.5j	-0.5
Tate and Lyle export price	£244.0	-0.5
Barley (English feed)	£116.0q	
Maize (US No. 3 yellow)	£143.0u	
Wheat (US Dark Northern)	£97.0	
Rubber (Oct)♥	51.50p	-0.50
Rubber (Nov)♥	52.00p	-0.50
Rubber (KL RSS No 1 Oct)	224.5r	-1.0
Coconut oil (Philippines)§	\$467.5j	
Palm Oil (Malaysian)§	\$330.0t	
Copra (Philippines)§	\$302.5j	
Soyabeans (US)	£158.0	
Cotton "A" Index	69.40c	
Wooltops (64s Super)	357p	

£ a tonne unless otherwise stated. p-pence/kg. c-cents/lb. r-ringgit/kg. q-Sep t-Sep/Dec u-Oct x-Sep y-Aug/Sep z-Nov j-Oct/Nov. †Meat Commission average fatstock prices. * change from a week ago. ♥London physical market. §CIF Rotterdam. ♣ Bullion market close. m-Malaysian cents/kg.

SUGAR – London FOX (\$ per tonne)

Raw	Close	Previous	High/Low
Oct	197.00	204.00	203.00 196.00
Dec	184.80	191.00	188.00 183.00
Mar	186.80	189.80	189.00 182.20
May	188.60	190.00	183.00
White	**Close**	**Previous**	**High/Low**
Dec	281.5	283.0	282.0 278.0
Mar	282.0	283.5	282.5 277.5
May	279.0	281.5	281.5 276.5
Aug	279.0	281.0	281.0 277.0
Oct	260.0	262.0	258.6
Dec	258.7	260.5	260.0 257.9

Turnover: Raw 298 (306) lots of 50 tonnes. White 1255 (1821)
Paris- White (FFr per tonne): Oct 1837.2

CRUDE OIL – IPE \$/barrel

	Latest	Previous	High/Low
Nov	20.44	20.35	20.45 20.35
Dec	20.33	20.27	20.34 20.26
Jan	20.19	20.07	20.18 20.15
Feb	20.07	19.97	20.09 20.07
Mar	19.90	19.90	19.95 19.90
Apr	19.80		19.84 19.80
May	19.70	19.57	19.70
Jun	19.60		19.62 19.58
Jul	19.45		19.45
IPE Index	20.29	20.15	

Turnover 9649 (15419)

GAS OIL – IPE \$/tonne

	Close	Previous	High/Low
Oct	194.75	192.50	195.00 193.25
Nov	197.00	195.50	197.25 195.75
Dec	197.75	196.50	198.00 197.00
Jan	195.25	194.25	196.50 195.00
Mar	183.50	183.00	184.00 183.50

Turnover 6425 (5965)lots of 100 tonnes

TEA

There were 18,614 packages offered including 1,200 offshore, reports the Tea Brokers' Association. New season's Assams met selective demand at lower rates with the exception of a few quality teas. The majority failed to reach valuations and were withdrawn. There was strong competition for bright liquoring and medium east Africans which were often 3-5p dearer. Plainer descriptions again showed an easier tendency. Central Africans met improved demand at dearer rates. The highest price realised was 160p for three Assam Pekoe Fannings. Quotations: quality 156p nom, medium 100p, low medium 78p.

COCOA – London FOX £/tonne

	Close	Previous	High/Low
Sep	700	708	701 695
Dec	733	742	739 729
Mar	770	777	774 765
May	790	795	790 785
Jul	809	815	814 805
Sep	828	835	831 825
Dec	851	859	849 849
Mar	874	882	877 870
May	892	899	891 888
Jul	910	916	911 908

Turnover: 3098 (4941) lots of 10 tonnes
ICCO indicator prices (SDRs per tonne). Daily price for Sep 13 944.01 (951.57) 10 day average for Sep 16 931.25 (924.10)

COFFEE – London FOX £/tonne

	Close	Previous	High/Low
Sep	525	537	528 523
Nov	548	562	553 547
Jan	568	580	571 568
Mar	580	590	581 578

Turnover:1756 (1931) lots of 5 tonnes
ICO indicator prices (US cents per pound) for Sep 13 : Comp. daily 68.37 (68.52) 15 day average 66.73 (66.32)

POTATOES – London FOX £/tonne

	Close	Previous	High/Low
Apr	119.3	120.2	120.5 119.0

Turnover 55 (192) lots of 20 tonnes.

SOYAMEAL – London FOX £/tonne

	Close	Previous	High/Low
Dec	138.00	138.00	138.00

Turnover 25 (101) lots of 20 tonnes.

FREIGHT – London FOX \$10/index point

	Close	Previous	High/Low
Sep	1580	1578	1585 1570
Oct	1697	1685	1697 1680
Jan	1720	1717	1725 1715
Apr	1724	1710	1725 1715
BFI	1546	1552	1546

Turnover 313 (155)

GRAINS – London FOX £/tonne

Wheat	Close	Previous	High/Low
Sep	114.40		114.25
Nov	116.90	116.90	116.90 116.75
Jan	120.20	120.25	120.20 120.10
Mar	123.35	123.40	123.35 123.25
May	126.55		126.55 126.45
Barley	**Close**	**Previous**	**High/Low**
Nov	113.35	113.40	

Turnover: Wheat 104 (335), Barley 15 (148).
Turnover lots of 100 tonnes.

PIGS – London FOX (Cash Settlement) p/kg

	Close	Previous	High/Low
Oct	104.5		104.5 104.0
Nov	107.0		108.0 107.5
Jan	108.3	105.0	108.5
Feb	108.5		109.0
Mar	111.4	110.5	111.5
Apr	111.9		112.0
May	112.4	111.5	112.5

Turnover:117 (8) lots of 3,250 kg

MGMI – London FOX

	Close	Prev.	High	Low	Vol
Indx	135.96	137.84			
Oct	136.80	136.80	137.80	136.80	105
Nov	137.10	139.10	138.00	137.10	93
Dec	137.50	139.30	138.40	137.50	150
Mar	138.70		139.20	138.70	60

LONDON METAL EXCHANGE (Prices supplied by Amalgamated Metal Trading)

	Close	Previous	High/Low	AM Official	Kerb close	Open interest
Aluminium, 99.7% purity (\$ per tonne)						Total daily turnover 39,251 lots
Cash	1208-11	1224-5	1209	1208-9		
3 months	1239-40	1253-4	1246/1234	1236-9	1234-5	107,412 lots
Copper, Grade A (£ per tonne)						Total daily turnover 43,243 lots
Cash	1320-1	1339-40	1328.5/1320	1328-8.5		
3 months	1328-9	1342-2.5	1341/1330	1334.5-5	1331-2	117,357 lots
Lead (£ per tonne)						Total daily turnover 4,285 lots
Cash	306.5-7.5	313-3.5	308/304.5	307-7.25		
3 months	318.5-9	323.5-4.0	323/316.5	318-8.5	317.5-8	13,791 lots
Nickel (\$ per tonne)						Total daily turnover 3,457 lots
Cash	7615-25	7855-60	7720/7700	7700-1		
3 months	7650-60	7855-60	7825/7650	7720-5	7640-5	16,024 lots
Tin (\$ per tonne)						Total daily turnover 1,596 lots
Cash	5610-20	5615-25		5620-1		
3 months	5685-90	5680-90	5700/5680	5685-90	5690-5	6,018 lots
Zinc, Special High Grade (\$ per tonne)						Total daily turnover 13,182 lots
Cash	1032-3	1038-40	1028.5	1028-8.5		
3 months	1052-3	1055-56	1058/1048	1048-8.5	1049-50	29,255 lots

LME Closing £/$ rate:
SPOT: 1.7405 3 months: 1.7215 6 months: 1.7105 9 months: 1.6954

LONDON BULLION MARKET
(Prices supplied by N.M.Rothschild)

Gold (fine oz)	\$ price	£ equivalent
Close	345.40-345.90	
Opening	344.60-345.00	
Morning fix	344.90	199.226
Afternoon fix	345.40	199.170
Day's high	346.30-346.70	
Day's low	344.50-344.80	

Loco Ldn Mean Gold Lending Rates (Vs US\$)

1 month	5.10	6 months	4.99
2 months	5.05	12 months	4.88
3 months	5.03		

Silver fix	p/fine oz	US cts equiv
Spot	234.60	406.00
3 months	240.35	411.25
6 months	245.75	416.65
12 months	257.50	428.90

GOLD COINS
(Prices supplied by Engelhard Metals)

	\$ price	£ equivalent
Krugerrand	345.50-348.50	199.25-199.75
Maple leaf	354.50-355.50	204.50-205.00
New Sovereign	84.25-85.25	48.50-49.00

TRADED OPTIONS

Aluminium (99.7%)	Calls		Puts	
Coffee	**Nov**	**Jan**	**Nov**	**Jan**
500	49	75	1	7
550	13	40	15	22
600	2	19	54	51
Cocoa	**Dec**	**Mar**	**Dec**	**Mar**
700	56	97	23	27
725	42	81	34	36
750	32	67	49	47

Brent Crude	Nov	Dec	Nov	Dec
2000	67		27	53
2050	41	57		76
2100	22			

New York

GOLD 100 troy oz.; \$/troy oz.

	Close	Previous	High/Low	
Sep	344.5	344.4	345.5	345.5
Oct	345.2	345.2	346.9	345.2
Nov	346.7	346.6	347.0	347.0
Dec	348.3	348.2	350.1	348.2
Feb	351.3	351.2	352.9	352.2
Apr	354.1	354.0	355.5	356.1
Jun	357.1	3356.9	0	0
Aug	360.2	360.0	0	0
Oct	363.2	363.0	365.0	364.3

PLATINUM 50 troy oz; \$/troy oz.

	Close	Previous	High/Low	
Oct	349.8	347.6	351.5	349.0
Jan	354.2	352.0	355.7	353.5
Apr	358.1	355.9	359.0	358.0
Jul	361.9	359.7	0	0
Oct	369.4	367.2	0	0

SILVER 5,000 troy oz; cents/troy oz.

	Close	Previous	High/Low	
Sep	399.8	399.0	405.0	405.0
Oct	400.5	399.7	0	0
Nov	402.8	401.8	0	0
Dec	405.0	404.3	412.0	403.5
Jan	407.1	408.4	0	0
Mar	411.7	410.9	418.0	411.0
May	416.2	415.4	421.0	416.5
Jul	420.4	419.6	0	0
Sep	425.3	424.5	0	0
Dec	432.5	431.7	438.5	434.0

HIGH GRADE COPPER 25,000 lbs; cents/lbs

	Close	Previous	High/Low	
Sep	105.60	106.60	106.00	105.30
Oct	104.20	105.35	104.70	104.10
Nov	103.55	104.95	104.10	103.70
Dec	103.15	104.35	103.70	102.85
Jan	102.25	103.35	0	0
Feb	101.80	102.75	101.60	101.80
Mar	101.10	102.10	101.50	101.20
Apr	100.70	101.55	100.90	100.90
May	100.30	101.00	100.60	100.40
Jun	99.95	100.50	0	0

CRUDE OIL (Light) 42,000 US galls \$/barrel

	Latest	Previous	High/Low	
Oct	21.82	21.68	21.82	21.66
Nov	21.73	21.64	21.74	21.63
Dec	21.65	21.55	21.65	21.55
Jan	21.49	21.41	21.50	21.43
Feb	21.35	21.27	21.35	21.28
Mar	21.20	21.12	0	0
May	20.87	20.88	20.95	20.87

HEATING OIL **42,000 US galls, cents/US galls**

	Latest	Previous	High/Low	
Oct	6205	6169	6210	6168
Nov	6320	6282	6330	6285
Dec	6435	6397	6435	6405
Jan	6450	6420	6450	6420
Apr	5836	5807	5835	5825

COCOA 10 tonnes;\$/tonnes

	Close	Previous	High/Low	
Dec	1189	1203	1199	1181
Mar	1240	1254	1246	1230
May	1268	1284	1277	1258
Jul	1292	1306	1292	1291
Sep	1316	1330	0	0
Dec	1346	1360	0	0
Mar	1393	1393	0	0
May	1420	1420	0	0
Jul	1443	1443	0	0

COFFEE "C" 37,500lbs; cents/lbs

	Close	Previous	High/Low	
Sep	86.50	87.75	88.50	88.00
Dec	89.56	91.45	92.45	89.25
Mar	93.00	94.50	95.50	92.50
May	95.10	97.10	97.55	95.10
Jul	97.75	99.95	98.90	97.75
Sep	100.50	103.00	101.00	100.50
Dec	104.50	107.00	0	0

SUGAR WORLD "11" 112,000 lbs; cents/lbs

	Close	Previous	High/Low	
Oct	8.70	8.91	8.90	8.65
Mar	8.55	8.79	8.70	8.45
May	8.51	8.76	8.67	8.47
Jul	8.52	8.76	8.48	8.48
Oct	8.50	8.73	8.64	8.50

COTTON 50,000; cents/lbs

	Close	Previous	High/Low	
Oct	64.35	66.42	64.55	63.70
Dec	65.54	67.10	65.78	64.95
Mar	66.80	67.63	67.05	66.40
May	67.65	68.70	67.85	67.15
Jul	68.28	68.10	68.24	67.80
Oct	65.90	0	66.70	66.70

ORANGE JUICE 15,000 lbs; cents/lbs

	Close	Previous	High/Low	
Sep	118.90	118.70	119.00	117.85
Nov	115.85	117.35	117.10	115.80
Jan	115.75	117.20	116.95	115.60
Mar	116.65	118.00	117.80	116.40
May	117.75	118.75	118.25	117.75
Jul	117.75	118.75	118.50	118.00
Sep	117.75	118.75	118.50	118.00
Nov	117.75	118.75	118.50	118.00
Jan	117.75	118.75	0	0

INDICES

REUTERS (Base: September 18 1931 = 100)

Sep 16	Sep 13	mnth ago	yr ago
1645.9	1671.6	1644.5	1811.4

DOW JONES (Base: Dec. 31 1974 = 100)

	Sep 13	Sep 12	mnth ago	yr ago
Spot	117.98	118.18	117.69	129.07
Futures	123.02	123.12	120.42	132.29

Chicago

SOYABEANS 5,000 bu min; cents/60lb bushel

	Close	Previous	High/Low	
Sep	602/0	592/0	606/0	591/4
Nov	609/0	597/2	614/4	598/4
Jan	619/0	608/4	624/6	610/4
Mar	629/2	617/6	634/0	620/4
May	635/0	626/2	640/0	627/0
Jul	639/4	629/2	643/4	631/0
Aug	631/0	625/0	636/4	626/0

SOYABEAN OIL 60,000 lbs; cents/lb

	Close	Previous	High/Low	
Sep	20.74	20.49	20.80	20.46
Oct	20.76	20.45	20.83	20.50
Dec	21.08	20.75	21.18	20.80
Jan	21.30	20.92	21.35	21.05
Mar	21.62	21.28	21.70	21.40
May	21.90	21.53	21.95	21.70
Jul	22.20	21.86	22.22	22.10
Aug	22.30	21.95	0	0

SOYABEAN MEAL 100 tons; \$/ton

	Close	Previous	High/Low	
Sep	200.8	198.4	202.0	198.5
Oct	198.2	194.1	199.5	194.2
Dec	195.7	191.8	197.4	191.6
Jan	193.6	190.0	195.7	190.0
Mar	191.5	188.0	193.5	188.5
May	188.7	184.7	191.6	186.5
Jul	186.5	184.5	188.0	185.0
Aug	185.0	183.0	187.5	184.0

MAIZE 5,000 bu min; cents/56lb bushel

	Close	Previous	High/Low	
Sep	251/6	250/4	253/4	251/4
Dec	255/4	254/0	257/0	255/0
Mar	262/4	260/6	264/2	261/6
May	266/4	265/2	268/4	266/0
Jul	268/4	267/0	270/0	267/4
Sep	254/6	253/6	256/4	254/0

WHEAT 5,000 bu min; cents/60lb-bushel

	Close	Previous	High/Low	
Sep	329/2	323/0	330/0	324/0
Dec	333/2	330/0	334/0	331/0
Mar	336/4	333/4	336/0	336/0
May	330/2	328/0	333/0	329/0
Jul	313/4	311/6	315/4	313/0

LIVE CATTLE 40,000 lbs; cents/lbs

	Close	Previous	High/Low	
Oct	71.52	71.55	71.80	71.17
Dec	74.50	74.62	74.50	74.12
Feb	73.12	72.97	73.15	72.77
Apr	73.52	73.40	73.55	73.20
Jun	71.20	71.20	71.20	70.82
Aug	69.40	69.42	69.87	69.40

LIVE HOGS 30,000 lb; cents/lbs

	Close	Previous	High/Low	
Oct	45.80	45.70	45.90	45.30
Dec	45.10	44.97	45.32	44.72
Feb	44.05	44.10	44.35	43.95
Apr	42.47	42.45	42.65	42.35
Jun	46.62	46.65	46.80	46.60
Jul	46.95	46.95	47.00	46.87
Aug	45.40	45.35	45.45	45.30

PORK BELLIES 40,000 lbs; cents/lb

	Close	Previous	High/Low	
Feb	51.07	50.70	51.15	50.37
Mar	51.07	50.57	51.15	50.25
May	52.12	51.60	52.30	51.20
Jul	52.00	51.45	52.00	0
Aug	49.00	49.00	49.00	0

LONDON STOCK EXCHANGE

Retail sales figures upset equities

By Terry Byland, UK Stock Market Editor

FRESH indications from both the corporate and economic fronts that economic recovery could prove slower than anticipated depressed the UK stock market yesterday. The FT-SE Index fell by nearly 20 points to within six points of the 2,600 level widely regarded as the lower end of the current trading range. London steadied in late trading as Wall Street appeared to brace itself for a fresh run at the Dow 3,000 mark early in the new session.

Equity trading volume was boosted by heavy activity in Racal stocks as the new Vodafone shares began trading for the first time. The newly-demerged Racal Electronics dominated the market with 168m shares traded; the total was swollen by double counting as share blocks moved between brokers, marketmakers and the Inter Dealer Broker network which operates only between marketmaking firms.

Account Dealing Dates		
*First Dealings:		
Sep 2	Sep 16	Sep 30
Option Declarations:		
Sep 12	Sep 26	Oct 10
Last Dealings:		
Sep 13	Sep 27	Oct 11
Account Day:		
Sep 23	Oct 7	Oct 21

*New-time dealings may take place from 8.30 am two business days earlier.

The day's highlight was the surprise £351.4m bid from Hanson for Beazer, the UK construction group which is in the process of shifting domicile to the US. The bid was two-edged as far as the market was concerned; Beazer shares returned from early suspension to rise strongly, but ICI stock fell heavily as traders took the view that Hanson is now less likely to make an all-out bid for the UK's premier chemical company.

With Tokyo on holiday and Wall Street lower overnight, UK equities opened about 12 Footsie points off as traders reacted cautiously to the latest public opinion poll indications of increasing support for Mr John Major's Conservative government. The opinion poll readings revived the possibility of a general election in the UK in November, thus increasing market uncertainty. However, nearly nine points of the early fall in equities were accounted for by downward ex dividend adjustments in several leading components of the FT-SE 100 Share Index.

The market rallied, despite poor trading news from Ratners, the UK jewellery group, but was turned sharply downwards again by the unexpected news that UK retail sales had fallen by 1.4 per cent in August.

The retail sales statistics were quickly followed by the disclosure that UK industrial production had risen by 0.8 per cent in July and that unit labour costs had gained 8.8 per cent in the quarter to the same month.

By the end of the day, the FT-SE Index was 19.8 down at 2,606.0. Seaq volume, incorporating the excitement in the Racal stocks, in Beazer and a placing of stock in Royal, the UK composite insurance company, totalled 641.3m shares, compared with 626.7m on Friday.

But traders maintained that yesterday's setback was no more than a temporary adjustment in a market still fundamentally confident. The day's economic data is "still consistent with the view that the recession in the domestic economy is bottoming out," said Mr John Reynolds at County NatWest. Monthly retail sales figures are notoriously volatile and often adjusted.

Store and consumer issues lacked buyers but ended the session with only minor losses. The international blue chips were discouraged by Wall Street's failure to respond favourably on Friday to the cuts in US federal and bank lending rates. BAT Industries and Glaxo were prominent among US-influenced stocks to suffer setbacks.

FINANCIAL TIMES STOCK INDICES

	Sept 16	Sept 13	Sept 12	Sept 11	Sept 10	Year Ago	1991 High	1991 Low	Since Compilation High	Since Compilation Low
Government Secs	87 44	87.48	87.16	87.01	87.05	78.31	87 48 (13/9)	82.17 (2/1)	127.4 (9/1/35)	49.18 (3/1/75)
Fixed Interest	96.07	96.07	95.91	95.86	95.89	87.10	96.07 (13/9)	90.59 (2/1)	105.4 (28/11/47)	50.53 (3/1/75)
Ordinary Share ●	2051.0	2067.8	2085.0	2068.1	2071.9	1606.1	2108.3 (2/9)	1606.3 (16/1)	2108 3 (2/9/91)	49.4 (26/6/40)
Gold Mines	155.0	154.4	156.4	160.2	162.8	188.6	222.8 (11/7)	127.0 (22/2)	734.7 (15/2/83)	43.5 (26/10/71)
FT-SE 100 Share	2606.0	2625.8	2641.9	2626.6	2630 8	2094.3	2679.6 (2/9)	2054.8 (16/1)	2679.6 (2/9/91)	986.9 (23/7/84)
FT-SE Eurotrack 200	1173.55	1183.12	1182.83	1178.65	1181.61	-	1198.60 (3/9)	938.62 (16/1)	1198.60 (3/9/91)	938.62 (16/1/91)
●Ord. Div. Yield	4.71	4.67	4.63	4.63	4.61	5.91				
●Earning Yld %(full)	7.60	7.52	7.47	7.49	7.47	12.39				
●P/E Ratio(Net)(☆)	16.43	16.60	16.72	16.67	16.71	9.78				
SEAQ Bargns 4.45pm	26,609	36,289	31,169	27,593	28,162	16,310				
Equity Turnover(£m)†	-	1,163.70	826.07	805.01	892.73	527.48				
Equity Bargains†	-	36,504	31,441	27,665	28,168	16,163				
Shares Traded (ml)†	-	532.5	395.8	352.4	383.2	270.1				

Basis 100 Govt. Secs 15/10/26, Fixed Int. 1928, Ordinary 1/7/35, Gold mines 12/9/55. Basis 1000 FT-SE 100 31/12/83 & FT-SE Eurotrack 200 26/10/90. ☆ Nil 15.61

Ordinary Share Index, Hourly changes — Day's High 2059.8 — Day's Low 2049.3

Open	9 am	10 am	11 am	12 pm	1 pm	2 pm	3 pm	4 pm
2059.1	2054.1	2054.5	2057.0	2052.7	2051.6	2051.3	2050.4	2051.3

FT-SE 100, Hourly changes — Day's High 2615.8 — Day's Low 2603.7

Open	9 am	10 am	11 am	12 pm	1 pm	2 pm	3 pm	4 pm
2613.9	2610.7	2608.6	2612.8	2606.5	2606.1	2605.6	2604.7	2605.7

FT-SE Eurotrack 200, Hourly changes — Day's High 1178.46 — Day's Low 1172.46

Open	10 am	11 am	12 pm	1 pm	2 pm	3 pm
1176.97	1177.39	1178.06	1174.06	1176.20	1175.42	1174.38

GILT EDGED ACTIVITY

Indices*	Sept 13	Sept 12
Gilt Edged Bargains	87.4	91.0
5 – Day average	89.3	88.7

*SE Activity 1974.
†Excluding intra-market business & Overseas turnover.

London report and latest Share index: Tel. 0898 123001

Royal block placed

A SUBSTANTIAL block of stock in Royal Insurance, the UK composite insurer, was placed last night, too late to be registered on the day's Seaq reporting list; the deal is expected to appear this morning on the Seaq list of overnight deals.

Stockbroker Robert Fleming Securities carried out an agency cross of 22m shares, apparently on behalf of a large UK institution, at 365p a share and placed them with UK and international funds.

The agency cross, with double counting of the shares bought and sold by Fleming, represents a 4.5 per cent stake in the company. Royal shares, badly affected last week by what was described as a bear raid, rallied 5 to 375p yesterday on reported turnover of 1.7m.

Mr Nicholas Dobby at Fleming said the broker carried out the trades after meeting the insurance group. The broker believed last week's raid, prompted by dividend and rights issue stories, was unjustified. "If Royals did not launch a rights issue when the solvency margin was around 32 per cent, as it was at the company's year-end, then it is hardly likely to do so when the margin is around 40 per cent," said Mr Dobby. He reiterated the broker's positive stance on the shares.

Racal activity

Massive two-way turnover developed in Racal Electronics, after the official demerger of the Vodafone cellular radio business, with the market full of stories that a stakebuilder had been at work in the market. Thorn EMI, GEC, and Ingersoll of the US, were put forward as potential bidders for Electronics, and turnover in Racal accounted for around a quarter of market volume.

Some 168m Racal shares were traded. They ended the day at 51p, with two leading investment houses, S.G. Warburg Securities and BZW, said to have been heavy buyers.

Many dealers expect a substantial stake in Racal to be announced within 24 hours. Mr Brian Newman, electronics specialist at Henderson Crosthwaite, said: "We believe there is a corporate entity buying via the inter-dealer broker network in order to disguise their presence in the market."

At the close Racal Electronics were quoted at 51p, with Vodafone, newly installed in the Footsie, 15 higher at 347p on 13m traded. Thorn EMI fell 12 to 802p.

Beazer bid

Trading in Beazer was suspended before the opening of business but resumed later in the session after an agreed £351.4m bid from Hanson. Beazer shares, quoted at 83p at Friday's close, resumed at 116p xd and closed at 115½p xd, up 34.

Beazer was in the process of selling off its CHB UK housebuilding division, expected to raise around £450m. Observers said the market would be pleased with the terms of the deal. "It suggests that the banks were unhappy with developments even after what was expected to have been a highly successful sell-off of CHB," said one.

Hanson's bid for Beazer unsettled ICI shares, which have been supported in recent months by hopes of a bid from 2.7 per cent stakeholder Hanson. ICI dropped 45 at one point before steadying to close a net 37 down at 1267p. Turnover came to 3m, the busiest day's trade in the stock for a month. Before Hanson announced its stake ICI shares stood at £11.

Hanson firmed ¾ to 214¼p as 29m shares changed hands, the heaviest day's trade in the stock this year. Hanson warrants slipped 4¼ to 29p, having bottomed at 26¾p. Hanson is issuing more warrants as part of the takeover of Beazer.

US buying of Reuters exacerbated a shortage of stock already apparent last week. The shares bucked the market trend with a gain of 10 to 916p.

Shell Transport closed 9 lower at 512p xd after Strauss Turnbull, the broking house, told clients that Shell may be *on the brink of a dividend freeze* for 1992 and 1993. Strauss believes Shell's payout ratio is *too* high and that *it* plans a large capital expenditure programme over the next five years over which gearing may rise to 25 per cent.

AB Ports rose 22 to 377p xd as a number of brokers became extremely positive following its interim results last week. For example, County NatWest advised its clients to buy aggressively, saying that the shares should be valued at over 500p. Tibbet & Britten, the transport and distribution services group, added 4 at 500p after interim profits increased to £6.3m from £5.4m.

British Airways eased 3 to 185p following renewed speculation in the press about a price war on transatlantic routes.

British Steel bucked the trend, gaining 2 to 125½p. Turnover reached 7.9m, with a large part of the day's activity linked to active buying of calls in the options market. Mr Ian Lowe at Smith New Court believes there are signs that the environment and steel markets have potential for change soon.

Torday & Carlisle jumped 26 to 90p after Dowding & Mills, a penny down at 60p, launched a £13.6m hostile bid for the engineering group.

British Aerospace continued to languish, giving up a further 2 to 414p. However, dealers noted scrappy buying around the 410p mark. Ransomes fell 7 to 49p after reporting a slump in interim profits.

Ladbroke and Granada outperformed the market as S.G. Warburg published a note recommending that investors *switch out of UK-oriented hotel* groups, such as Forte and Queen's Moat Houses, and into other large leisure stocks. Warburg said the UK hotels sector would be slow to recover. Ladbroke climbed 4½ to 283p, while Granada held steady at 173p. Forte slipped a penny to 279p and Queen's Moat edged a penny lower to 279p.

There was no stopping the holiday sector. Airtours advanced 14 to 683p while Airbreak rose 2½ to 38p. Airbreak began trading on the USM on August 22.

Ratners disappointed the market with an interim loss of £17.7m compared with a profit of £9.3m in the same period last year. The shares retreated 7 to 129p as analysts lowered their full-year estimates to around £65m to £75m from £80m to £100m.

Dixons receded 6 to 266p as Mr Stanley Kalms, the chairman, announced that he had sold 1m shares at 269p. Marks and Spencer eased 4½ to 282p after the 1.4 per cent fall in August retail sales.

Brown and Jackson, the retailer, closed 4 down at 8p, having dropped to as low as 6¼p at one stage on worries that current trading difficulties may have forced it into a refinancing package. It later issued a statement that it knew of no change in its trading position which would explain this movement.

Property issues provided a bright sector in an otherwise lacklustre market, with advances of several pence recorded in the leaders and second-line stocks.

Analysts said the sector had been among the worst in the market since the start of the year – at the lowest for more than 20 years relative to the market, said one. In addition, asset values were *bottoming* out and companies now had little or no capital gains tax liabilities. Sentiment was helped by trebled interim profits from Asda Property, up 3 at 85p.

A raised dividend and positive chairman's statement prompted footwear manufacturer FII, which announced full-year results yesterday, to gain 4 to 388p.

Inchcape was one of the strongest Footsie stocks yesterday. It rose 10 to 402p after posting interim profits of £91.3m, only slightly down on last year. Analysts said the results were better than the range of estimates and the chairman's statement was cautiously optimistic.

Trafalgar House benefited from weekend press speculation that it might be the target of a bid from BTR. While most analysts were dismissive the shares put on 5 to 237p. BTR lost a penny to 426p xd.

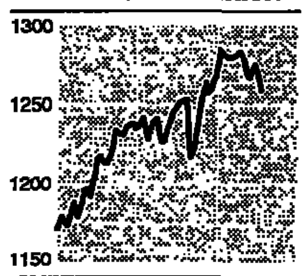
MB-Caradon, also mentioned as a possible target, firmed 5 to 255p.

Morgan Crucible's share price held at 267p against a falling market after the company produced interim profits in line with expectations and an optimistic statement.

MARKET REPORTERS:
Daniel Green, Peter John, Joel Kibazo, Jim McCallum, Steve Thompson.

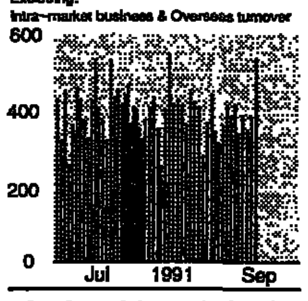
■ Other market statistics, including the FT-Actuaries Share Indices and London Traded Options, Page 29.

FT-A All-Share Index



Equity Shares Traded

Turnover by volume (million)
Excluding:
Intra-market business & Overseas turnover



NEW HIGHS AND LOWS FOR 1991

NEW HIGHS (117).
BRITISH FUNDS (1) Treas. 9pc '92-96, INT.BANK & O'SEAS GOVT. STLG. ISSUES (2) Intl-Amer. Dev. 12¼pc 2015, Utd. Mexican States 16½pc 2008, BANKS (2) Bank of Scot. 9¾pc Prf., Secure Trust, BREWERS (1) Bulmer (HP), BUILDINGS (4) Brit. Dredging, Doneloo Tyson, Gleeson (MJ), Manders, CHEMICALS (2) Caird, Do. 7p Prf., STORES (10) Alexon, Amber Day, Austin Reed A, Cantors A, Gabicci, Hartstone, Next, Ritz, T & S, Vivat, ELECTRICALS (10) ACT, Betacom, Druck, Harland Simon, Kembrey, MTL Instruments, Prestwick, Do. 7¼pc Prf., Real Time Control, Volex, ENGINEERING (9) BM, Fairey, Johnson & Firth, Morris Ashby, Powerscreen, Prospect Inds., SKF, TI, Victaulic, FOODS (6) BSN, Brake Bros., Cranswick, JLI, Morrison (Wm) 5¼pc Prf., Wardell Roberts, INDUSTRIALS (29) AAF, AAH, Alumasc, Assoc. Brit. Ports, Avon Rubber, CRT, Charter Cons., Comac, Darby, Grampian, Great Southern, Hays, Huntleigh Tech., IWP, Inchcape, Le Creuset, Mayborn, Mining & Allied Suppliers, Paterson Zochonis, Do. A, Proudfoot (A), Reuters, Scott Pickford, Sidlaw, St. Gobain, TT, Vinten, Waterford Wedgwood, Worcester, INSURANCE (3) Domestic & Gen., Skandia, Taisho, LEISURE (1) Hi-Tec Sports, MOTORS (1) ERF, PAPERS (5) Abbott Md. Vickers, Gold Greenless Trott, Holmes Merchant, Olives, Shandwick, PROPERTY (4) Brixton Est., Ewart, Herring Son & Daw, New England, TEXTILES (3) Drummond, Foster (J), Toray, TRANSPORT (2) Interlink Express, Tibbett & Britten, TRUSTS (20) AFP, Aberforth Smllr. Wrrnts, Abtrust Prfd. Zero Div. Prf., Archimedes Inc., Contra-Cyclical Zero Div. Prf., EFM Inc. Zero Div. Prf., Flmg. Fledgeling, Flmg. Intl. High Zero Div. Prf., Gartmore Amer. Secs. Zero Prf., General Cons. Stppd. Prf., Genesis Chile Ptg., I & S Optimum Inc. Zero Prf., Law Deb., Moorgate Smllr. Wrrnts, Murray Split Cap. Zero Div. Prf., Nth. Brit. Canadian, Oilm Zero Prf., Sphere Zero Div. Prf., TR Tech. Zero. Prf., Templeton Emerg. Mkts., OILS (1) Gulfstream Res. Canada, MINES (1) Doral Res.
NEW LOWS (34).
AMERICANS (1) Texas Instruments, BANKS (1) Wintrust, BUILDINGS (1) Costain, CHEMICALS (1) Montedison, STORES (3) Brown & Jackson, Clinton Cards, Mallett, ELECTRICALS (2) Norsk Data A, Wharfedale, ENGINEERING (1) WB Inds, INDUSTRIALS (4) Brit. Aerospace, Nu-Swift, RMT, Willis, INSURANCE (1) Archer (AJ), LEISURE (1) Quadrant, NEWSPAPERS (1) Black (AC), PAPERS (1) JMD, PROPERTY (2) Capital & Counties 5¼pc Prf., Hanover Druce, SHOES (1) Stylo, TRUSTS (6) City & Commercial Inc., Ensign, Do. B, JF Pacific Wrrnt., South America Fund, Strategem, OILS (1) LASMO, PLANTATIONS (1) Anglo-Eastern, MINES (5) Anglo-Dominion, Indonesian Diamond, Loraine, Plateau, Wit Nigel.

TRADING VOLUME IN MAJOR STOCKS

	Volume 000's	Closing Price	Day's change
ADT	20	499	
ASDA Group	2,000	99	-3
Abbey National	1,100	295	-3
Albert Fisher	308	102	
Allied-Lyons	971	597	-7
Amstrad	1,100	55	+1
Anglian Water	84	393	+1
Argos	65	328	-1½
Argyll Group	1,400	304	-2
Arjo Wiggins	413	268	-1
Ass. Brit. Foods	459	505	-2
BAA	1,400	457	+1
BAT Inds.	3,300	653	-8½
BET	820	220	-3
BICC	810	423	-9
BOC	259	587	-7
BPB Inds.	1,800	209	-1
BTR	4,400	426	-1
Bank of Scotland	1,100	118	+1
Barclays	1,700	463	-6
Bass	149	986	-8
Beazer	5,800	115½	+34
Berisford Int.	267	35	
Blue Circle	1,200	272	-½
Booker	150	485	+2
Boots	1,200	436	-4
Bowater	103	674	-1½
Brit. Aerospace	787	414	-2
British Airways	1,600	185	-3
British Gas	2,300	268	+½
British Land	1,300	319	+8
BP	5,800	332	-5
British Steel	11,000	125½	+2
British Telecom	2,700	388	+3½
Bunzl	1,300	90	
Burmah Castrol	209	601	-1
Burton	7,600	47½	
Cable & Wire.	1,700	571	-1
Cadburys	1,200	412	-1
Calor Group	65	241	-1
Carlton Comms.	99	510	-4
Coats Viyella	2,500	188	
Comm Union	324	518	-2

	Volume 000's	Closing Price	Day's change
Cookson	179	126	-2
Courtaulds	842	497	-5
Dalgety	1,000	423	+2
De La Rue	38	456	-1
Dixons	6,000	266	-6
ECC Group	987	469	+3
Eastern Elect.	140	186	-1
East Midland Elect.	123	211	-1
Enterprise Oil	647	602	-8½
Eurotunnel Units	324	494	+8
FKI	1,900	70	
Ferranti	875	8½	
Fisons	2,400	499	-6
Forte	2,800	279	-1
Gen. Accident	280	551	+4
General Elect.	3,500	191	
Glaxo	2,300	1340	-4½
Glynwed Int.	89	255	
Granada	128	173	
Grand Met.	3,200	827½	-7½
GUS A	30	1373	-17
GRE	4,500	182	+3
GKN	395	372	-2
Guinness	2,500	1000	
Hammerson 'A'	223	633	+4
Hanson	29,000	214¼	+¾
Hanson Warrants	4,200	29	-4¼
Harrisons Crosfield	1,000	166	+½
Hawker Sidd.	342	584	-3
Hillsdown	919	255	
IMI	244	261	-3
ICI	3,000	1267	-37
Inchcape	611	402	+10
Kingfisher	251	570	-3
Ladbroke	1,200	283	+4½
Land Securities	545	526	+2
Laporte	181	565	-7
Legal & General	407	428	-3
Lloyds Abbey	99	430	
Lloyds Bank	1,400	397	-5
LASMO	2,300	305	-9
London Elect.	72	212	-1
Lonrho	705	235	-1

	Volume 000's	Closing Price	Day's change
Lucas	638	153	
MB Caradon	381	255	+5
MEPC	1,800	486	+3
Manweb	418	254	-1
Marks & Spencer	2,700	282	-4½
Maxwell Comms	731	174	-2
Midland Bank	3,300	235	-4
Midlands Elect.	164	209½	-½
NFC	717	207	+1
NatWest Bank	2,700	353	-1
National Power	1,200	153	+1
Next	4,300	45½	+½
North West Water	173	385	-1
Northern Elect.	129	217	-1
Northern Foods	182	531	-2
Norweb	20	224	-1
Pearson	402	762	
P & O	1,100	527	
Pilkington	1,300	186	
PowerGen	1,000	166	+1½
Prudential	1,200	248½	-½
RHM	301	292	+3
RMC	127	679	+1
RTZ	3,100	546	-8
Racal	170,000	51	+6
Rank Org.	568	730	-7
Reckitt & Colman	291	681	-9
Redland	1,300	548	
Reed Intl.	1,600	487	+2
Rentokil	38	380	
Reuters	715	916	+10
Rolls Royce	8,500	142	+½
Rothmans	343	1057	-2
Ryl Bk Scotland	1,100	191	
Royal Insurance	1,700	375	+5
Saatchi	2,600	16	-¼
Sainsbury	1,300	364	-1
Scottish & New.	2,300	409	-5
Scot. Hydro-Elect.	883	114	-1
Scottish Power	2,400	109½	+½
Sears	2,300	94	
Sedgwick	307	368	-8
Seeboard	238	207	-1

	Volume 000's	Closing Price	Day's change
Severn Trent Water	738	356	-1
Shell Transport	3,300	512	-9
Siebe	356	525	-5
Slough Ests	479	275	
Smith (W H) A	581	453	-6
Smith & Nephew	703	135	-1
SmKl Beecham	921	769	-7
SmKl Beecham Uts.	51	680	-15
Smiths Inds.	13	776	-3
Southern Elect.	530	207	-1
South Wales Elect.	147	259	
South West Water	13	368	-1
South West. Elect.	194	207	
Southern Water	167	343	-2
Standard Chartd.	206	355	-6
Storehouse	214	133	
Sun Alliance	1,300	350	-3
T&N	139	173	-½
TI Group	480	629	+5
TSB	418	152	-2
Tarmac	1,300	231	-1
Tate & Lyle	1,700	395	+3
Taylor Woodrow	835	202	-1
Tesco	3,000	280	-2
Thames Water	431	391	
Thorn EMI	836	802	-12
Tomkins	125	409	
Trafalgar House	4,000	237	+5
Ultramar	661	352	-2½
Unigate	498	325	+2
Unilever	1,500	760	-8
United Biscuits	853	400	-4
Utd. Newspapers	828	395	-2
Vodafone	13,000	347	+15
Wellcome	181	738	+4
Welsh Water	81	396	
Wessex Water	569	407	+1
Whitbread 'A'	1,500	498	-8
Williams Hldgs	3,600	351	-8
Willis Corroon	995	313	+2
Wimpey	533	185	+2
Yorkshire Elect.	29	245	
Yorkshire Water	199	413	-1

Based on the trading volume for a selection of Alpha securities dealt through the SEAQ system yesterday until 4.30pm. Trades of one million or more are rounded down.

EQUITY FUTURES AND OPTIONS TRADING

STOCK INDEX futures built up a strong lead over the equity market yesterday as dealers believed the stock market may have fallen too far, writes Jim McCallum.

With a large number of FT-SE stocks going ex-dividend the market was bound to come under pressure.

Prices were initially marked lower as the market weighed the implications of the latest opinion polls and decided that they made an early general election more likely, thereby increasing the political risk attached to UK equities.

A surprisingly large fall in August retail sales added to the unease.

The September FT-SE maintained a premium of nearly 20 points for much of the session, compared with fair value of around 7 points. September closed 12 lower at 2,626.

An arbitrage play in Amstrad lifted turnover on the traded options market. The trade was reported to involve a seller of 1,000 December 60 puts and the purchase of 500 December 70 and 50 puts.

Scottish Power calls were again a feature, with the December 130 and 120 calls particularly active. A buyer of 775 October 120 British Steel calls boosted the underlying securities. The October 120 puts were also busy.

LONDON SHARE SERVICE

BRITISH FUNDS

"Shorts" (Lives up to Five Years)

1991 High	1991 Low	Stock	Price £	+ or –	Yield Int.	Yield Red.
100	99	Exch. 11pc 1991	100		10.99	
99½	96	Treas. 8pc 1991	99½		8.04	
101½	100	Treas 12¾pc 1992‡‡	100¾		12.64	
100	97	Treas 10pc 1992	100		10.00	
132¾	125	Treas. 2pc IL 1992‡‡	132		2.00	
99	95¼	Treas. 8pc 1992 ‡‡	99		8.07	
100	98	Treas 10¼pc Cv 1992‡‡	100		10.45	
96	91	Treas. 3pc 1992	96		3.11	
102	100	Exch. 12¼pc '92	102		11.98	
104	102	Exch 13½pc 1992	103		13.02	
98	94	Treas 8¼pc 1993	98	–¼	8.39	9.59
100¾	97	Treas 10pc 1993‡‡	100	–⅛	9.93	9.59
104¼	102	Treas 12½pc 1993‡‡	104	–⅛	11.95	9.67
94¾	89¾	Funding 6pc 1993‡‡	94		6.32	8.81
108	105	Treas 13¾pc 1993‡‡	107		12.76	9.69
97	92	Treas 8½pc 1994	97		8.70	9.60
111¾	108	Treas 14½pc 1994‡‡	110		13.13	9.64
109	105	Exch 13½pc 1994	108		12.44	9.69
101	96	Treas. 10pc Ln. 1994‡‡	100		9.92	9.64
107	103	Exch. 12½pc 1994	106		11.69	9.72
98	93	Treas 9pc 1994‡‡	98		9.16	9.64
106	102	Treas 12pc 1995	106		11.26	9.65
89	82	Exch 3pc Gas 90-95	86		3.46	7.26
102	96	Exch. 10¼pc 1995	101		10.06	9.64
110	105	Treas 12¾pc 1995‡‡	110		11.58	9.72
114	109	Treas. 14pc '96	114		12.27	9.92
98	92	Treas 9pc 1992-96‡‡	98		9.11	9.37
119	115	Treas 15¼pc 1996‡‡	119		12.77	9.91
112	108	Exch 13¼pc 1996‡‡	112		11.80	9.87

Five to Fifteen Years

1991 High	1991 Low	Stock	Price £	+ or –	Yield Int.	Yield Red.
101	95	Conversion 10pc 1996	101		9 86	9 64
101	97	Do 10pc 1996 B	101		10.11	9.65
114	108	Treas 13¼pc 1997‡‡	113		11.63	9.81
103	97	Exch 10½pc 1997	103		10 15	9.65
96	89	Treas 8¾pc 1997‡‡	96		9.08	9.56
122	117	Exch 15pc 1997	122		12.23	9.95
100	93	Exch. 9¾pc 1998	100		9.70	9.63
88	80	Treas 6¾pc 1995-98‡‡	88		7.63	9.11
128	121	Treas. 15½pc '98‡‡	128		12.08	9.83
111	104	Exch. 12pc 1998	111		10.77	9.74
100	92	Treas 9½pc 1999‡‡	99		9.51	9.51
113	105	Exch. 12¼pc 1999	113		10 82	9.75
104	97	Treas. 10½pc 1999	104		10.05	9.64
103	95	Conversion 10¼pc 1999	103		9.93	9.66
97	89	Conversion 9pc 2000‡‡	97		9.25	9.48
118	110	Treas. 13pc 2000	118		10.99	9.83
102	94	Treas 10pc 2001	102		9.76	9.59
119	113	Treas. 14pc '98-01	119		11.72	9.93
101	92	Treas 9¾pc 2002	101		9 65	9.60

BRITISH FUNDS – Contd

1991 High	1991 Low	Stock	Price £	+ or –	Yield Int.	Yield Red.
103	94	Treas 10pc 2003	103		9.71	9.58
110	102	Treas. 11½pc 2001-04	110		10.42	9.80
61	53	Funding 3½pc '99-04	61		5 68	8.46
99	90	Conversion 9½pc 2004	99		9.58	9.55
87	80	Treas 8pc 2009	87		9 12	9.42
96	88	Conv 9pc Ln 2011 ‡‡	96		9.32	9.38
96	91	Cnv. 9pc 2011 A	96		9.51	9.55
65	58	Treas. 5½pc 2008-12‡‡	65		8.44	9.30
84	76	Treas 7¾pc 2012-15‡‡	84		9.17	9.40
124	113	Exch. 12pc '13-17	123		9.70	9.43

Undated

1991 High	1991 Low	Stock	Price £	+ or –	Yield Int.	Yield Red.
41	37	Consols 4pc	41		9.70	-
36	33	War Loan 3½pc‡‡	36		9.49	-
60	57	Conv. 3½pc '61 Aft.	60		5.79	-
30	28	Treas. 3pc '66 Aft.	30		9.84	-
26	23	Consols 2½pc	26		9.62	-
25	23	Treas. 2½pc	25		9.71	-

Index-Linked

1991 High	1991 Low	Stock	Price £	+ or –	(1)	(2)
120	115	Treas. 2pc '94 (102.9)	120		2.75	3.08
174	168	Do. 2pc '96 (67.9)	174		3.45	4.01
144	137	Do 2½pc '01 (78.3)	143		3.85	4.17
140	133	Do. 2½pc '03 (78 8)	140		3.89	4.17
142	135	Do. 2pc '06 (69.5)	141		4.00	4.22
130	124	Do. 2½pc '09 (78.8)	129		4.03	4.23
134	128	Do. 2½pc '11 (74.6)	134		4.05	4.23
110	105	Do. 2½pc '13 (89 2)	110		4.09	4.22
118	113	Do. 2½pc '16 (81.6)	117		4.05	4.21
113	109	Do. 2½pc '20 (83.0)	112		4.05	4 20
95	91	Do. 2½pc '24‡‡ (97.7)	93		4.03	4.17

Prospective real redemption rate on projected inflation of (1) 10% and (2) 5%. (b) Figures in parentheses show RPI base for indexing, (ie 8 months prior to issue) and have been adjusted to reflect rebasing of RPI to 100 in January 1987. Conversion factor 3.945. RPI for January 1991: 130.2 and for August 1991: 134.1.

INT. BANK AND O'SEAS

1991 High	1991 Low	Stock	Price £	+ or –	Yield Int.	Yield Red.
106	95	African Dv Bk 11¼Ln 2010	106		10 41	10 27
101	91	Asian Dev Bk 10¼pcLn2009	101		10 08	10.04
116	105	Int-Am Dev Bk 12½pc 2003	115		10.86	10.20
96	86	Do. 9½pcLn 2015	96		10 10	10.12

CORPORATION LOANS

1991 High	1991 Low	Stock	Price £	+ or –	Yield Int.	Yield Red.
27	26	LCC 3pc '20 Aft.	27		11 11	-
104½	97½	Manchester 11½pc 2007	104½		11.00	10 90

COMMONWEALTH & AFRICAN LOANS

1991 High	1991 Low	Stock	Price £	+ or –	Yield Int.	Yield Red.
95	84½	Sth Rhod. 87-92 Assd	95		4 74	-

LOANS

Building Societies

1991 High	1991 Low	Stock	Price £	+ or –	Yield Int.	Yield Red.
106	102	N'wide Anglia 3¾pc Ln 2021	105¼			5 40
107¼	104	Do. 4.25pcIL '24	107	–¼		5.09

Public Board and Ind.

1991 High	1991 Low	Stock	Price £	+ or –	Yield Int.	Yield Red.
53	52	Met. Wtr. 3pc 'B'	53		5 66	9.95

FOREIGN BONDS & RAILS

1991 High	1991 Low	Stock	Price £	+ or –	Div % Gross	Red. Yield
50	50	Greek 7pc Ass	50		3 50	17.00
50	50	Do. 6pc 28 Stb. Ass	50		3	16.00
50	50	Do 4pc Mixed Ass	50		2	14 00
55	55	Hung '24 Ass	55		2.75	13 57
132	120	Hydro Quebec 15pc 2011	132		15.0	10.90

Continued on next page

APPOINTMENTS

Chief executive at BSI

The BRITISH STANDARDS INSTITUTION (BSI), the national organisation responsible for producing technical standards which are used throughout industry and technology, has appointed Mr Michael Sanderson to the newly created post of chief executive, effective from November 1.

Mr Sanderson has a wide industrial background, ranging from research and development through marketing and general management to his present position as managing director of AWD Bedford Trucks.

He will be leading a major programme of cultural change at BSI to fit the organisation better to meet the challenges of the next decade. He is a council member and national chairman elect of the Institute of Materials Management.

■ Following HAZLEWOOD FOODS' successful offer for the Sheffield-based Sutherland Holdings, Mr Chris Ball yesterday became an executive director of Hazlewood and chief executive in charge of all Hazlewood's UK operations.

Mr Ball, 48, was managing director of Unigate's dairy division between 1979-85 and UK managing director of Northern Foods for 1985-87. He took on the role of chief executive of Sutherland Foods four years ago and, with Mr David Truran, has been instrumental in its successful reorganisation.

Hazlewood chief Mr Peter Barr becomes executive chairman of the enlarged Hazlewood, in succession to Mr John Lowe, who is retiring.

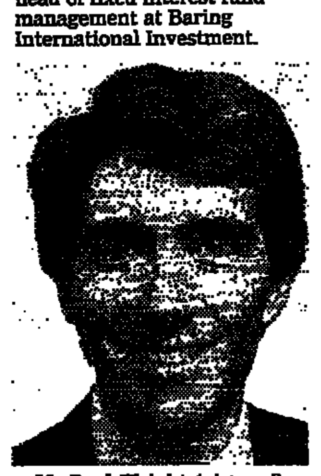
Mr John Simons, group finance director, is assuming additional responsibility for corporate planning, while Mr Tom van Gurp, a main board director, has been made chief executive of all Continental operations.

Mr Truran, Sutherland chairman, becomes a non-executive director of Hazlewood, but is to lend his weight particularly in France, where the group is seeking to develop its sales further.

Also joining the Hazlewood board as non-executive directors are: Mr Rodney Lund, a food marketing and retailing expert who has also chaired two companies through privatisation; Mr Roy Thomas, finance director of Fisons; and Mr Hein Hooykaas, a Dutch businessman, who until his retirement was president of Shell Nederland.

■ BARCLAYS BANK named Mr Brian Worsley as deputy group treasurer. He was previously assistant treasurer and succeeds Mr Patrick Perry, who became the bank's group treasurer in July.

■ Mr Rory MacLeod has joined MERCURY ASSET MANAGEMENT's global fixed interest fund management department and become a MAM director. He had been head of fixed interest fund management at Baring International Investment.



■ Mr Paul Wright *(pictured)* has been appointed by STANDARD CHARTERED as chief financial officer, Asia Pacific Region, based in Singapore.

Mr David Mallett, currently group chief inspector, succeeds him as group financial controller in London.

■ SONY MUSIC ENTERTAINMENT (UK) has promoted Mr Peter Corbett to director, financial services.

■ At ENTERPRISE OIL Mr Myles Bowen is retiring from his post as exploration director. His successor will be Mr Iain Paterson, general manager for international exploration.

Joining the board as corporate development director is Mr Julian West, who began his employment with the company as head of business development in September 1983. Mr Geoffrey Jennings retires as company secretary and is succeeded by Ms Vivien Gaymer, who retains her responsibility for legal affairs.

■ ARKWRIGHT MANAGEMENT, unit trust managers, has appointed Mr David Oakes as managing director. He remains responsible for the development and marketing of the investment management team at Henry Cooke Lumsden, its sister company.

■ Mr Malcolm Hewitt has joined the board of AIR UK as sales and marketing director. He was previously with Sealink Stena Line.

■ Mr Kanak Bhatt, treasurer of Manchester-based BRITISH VITA, will become finance director from October 1.

Mr Bhatt, who joined the company 25 years ago, takes over from Mr Rod Sellers, who held the position for 17 years and was appointed chief executive in July last year.

■ Mr John Hirsch has been appointed non-executive deputy chairman of RADIUS, the USM computer software and services company.

He is currently non-executive chairman of Tinsley Bridge, and a director of a number of companies that include Autocar Equipment, Stanton and Hamworthy Engineering.

LONDON SHARE SERVICE

● Latest Share Prices are available on FT Cityline, call 0839 43 + four digit code. Calls charged at 36p/minute cheap rate and 48p/minute at all other times. To obtain a free Share Code Booklet call 071-925-2128.

AMERICANS

1991 High	Low	Stock	Price £	+ or –	Div Gross	C'vr	Y'ld Gr's
33¼	20⅞	Abbott Laboratories	30½	–⅛	$1.00	–	1.9
385p	257p	Allegheny & W 1c	267p	+7	30c	–	6.6
10¼	667p	Amdahl 5c	802p	–14	10c	–	0.7
42⅛	25⅜	Amer Cyanamid $5	36	–½	$1.50	–	2.5
17⅞	9¹⁵⁄₁₆	Amer Express 60c	14⅞	+⅛	92c	–	3.7
24½	15¼	American T. & T. $1	21⅞	–⅛	$1.32	–	3.6
38⅞	32½	Ameritech $1	35⅝	–¼	$3.40	–	5.6
26	12⅞	BankAmerica $1⅝	23⅝	–⅛	$1.20	–	3.0
35⅝	20⅝	Bankers N Y $1	33⅞	+⅛	$1.52	–	8.6
30½	24¼	Bell Atlantic $1	28	–¼	$2.52	–	5.3
31¼	25	BellSouth Corp	28½	–⅛	$2.76	–	5.7
11¼	6⅞	Bethlehem Steel $8	10	–¼	40c	–	2.4
1839p	1046p	Bowater Inc.	1445p	–29	$1.20	–	4.9
54⅞	37⅞	CPC Intnl. 25c	51	–1	$2.00	–	2.3
930p	420p	California Engy	820p	–84	–	–	–
50	28¼	Campbell Soup 15c	43⅞	–⅜	$1.16	–	1.6
12¼	5⅞	Chase Manhattan $12½	11¼	–⅛	$1.20	–	6.5
9⅞	5½	Chrysler $6¼	6½	–⅛	60c	–	5.6
10½	5⅞	Chicorp $1	8⅞	+⅛	$1.00	–	7.1
25	21⅛	Colgate-Palmolive $1	23	.....	$1.06	–	2.7
928p	438p	Cont'l Bank Corp $4	665p	–21	60c	–	5.3
21⅛	13⅞	Dana Corp $1	17¼	–⅛	$1.60	–	5.3
1199p	203p	Data General	1156p	–43	–	–	–
22½	12⅞	Dial Crop. $1.5	20⅞	.....	$1.40	–	4.0
29⅝	20¼	Dun & Bradstreet $1	27½	+1	$2.16	–	4.7
40	24¼	Eaton Corpn. 50c	36	.....	$2.20	–	–
8½	5½	Echlin Inc.	7⅛	–⅛	70c	–	5.6
20¼	14⅛	FPL Group 1c	19	.....	$2.40	–	7.5
30⅞	17⅞	Fluor Corp 62½pc	24¼	–⅞	32c	–	0.8
23¼	13⅛	Ford Motor $1	17⅛	–⅞	$1.60	–	3.4
46⅞	28⅞	Gen Elect. 63c	39¼	–1¼	$2.04	–	3.1
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

CANADIANS

For Varity see Americans

BANKS, HP & LEASING

Hire Purchase, Leasing, etc.

BEERS, WINES & SPIRITS

BUILDING, TIMBER, ROADS

BUILDING, TIMBER, ROADS – Contd

CHEMICALS, PLASTICS

DRAPERY AND STORES

DRAPERY AND STORES – Contd

ELECTRICALS

For Racal Telecom see Vodafone

ELECTRICITY

ENGINEERING

FOOD, GROCERIES, ETC

HOTELS AND CATERERS

INDUSTRIALS (Miscel.)

INDUSTRIALS (Miscel.) – Contd

INSURANCES

LEISURE

هكذا عن الأصل

LONDON SHARE SERVICE

● Latest Share Prices are available on FT Cityline, call 0836 43 + four digit code. Calls charged at 36p/minute cheap rate and 48p/minute at all other times. To obtain a free Share Code Booklet call 071-925-2128.

LEISURE—Contd

MOTORS, AIRCRAFT TRADES

Commercial Vehicles

Components

Garages and Distributors

NEWSPAPERS, PUBLISHERS

PAPER, PRINTING, ADVERTISING

PROPERTY

PROPERTY—Contd

SHOES AND LEATHER

SOUTH AFRICANS

TEXTILES

TOBACCOS

TRANSPORT

INVESTMENT TRUSTS

1991 High	Low	Stock	Price	+ or –	Div Net	Y'ld Gr's	NAV	Dis or Pm(-) %
127	94	Aberforth Smaller Cos. β	127	.....	H4.5	4.7	118.5	-7.2
56	25	Do. Warrants β	55	.....				
108	100	Aberforth Split Lev Inc. β	107	+1	M9.0	11.2		
108	95½	Do. Cap 10p β	108	.....				
210	196	Do. Units β	210	.....			200.9	-4.5
336	301	Abingworth 10p β	320	.....	4.0	1.7	373.6	14.4
108	66	Abtrust New Dawn	97	-5	0.5	0.7	111.5	10.3

INVESTMENT TRUSTS—Contd

1991 High	Low	Stock	Price	+ or –	Div Net	Y'ld Gr's	NAV	Dis or Pm(-) %
53	42	New Frontiers Dev 10p β	48	+1	s0.25	0.7	72.2	35.6
£77½	£69½	Do. 6½pc Cv Ut Ln 2018	£74½	.....	Q6½%	8.7		
86	55	New Zealand Inv. β	79xd	-½	F2.5	4.2	85.3	6.8
67	51	Nth American Gas β	56	.....	3.75	8.9	73.5	23.8
20	4	Do. Warrants β	6	.....				
97	65½	Nth. Brit. Canadian β	97	+1	h3.06	4.2	105.3	7.9
90	64	Olim Conv. Tst. β	82	.....	t8.15	13.3	73.9	-10.3

Net asset values supplied by County NatWest Wood Mackenzie as a guide only.

FINANCE, LAND, ETC

FINANCE, LAND, ETC—Contd

1991 High	Low	Stock	Price	+ or –	Div Net	C'vr	Y'ld Gr's	P/E
1313	840	Siam Fd. Red. Prf.	1047	.....				
518	303	Singapore SESDAQ 1c	332	-15				
56	23	Singer & Friedlander	45xd	.....	2.5	1.7	7.4	10.4
145	95	Smith New Court	124	-1	3.5	1.2	3.8	27.8
87	61	Do. Cnv Prf 50p	76	+1	6.5		11.4	
131	123	South America Fund	123	-3				
49½	44½	Do. Warrants	45	-3½				

WATER

OIL AND GAS

PLANTATIONS

Rubbers, Palm Oil

Teas

MINES

Central Rand

Eastern Rand

Far West Rand

O.F.S.

Diamond and Platinum

Central African

Finance

MINES—Contd

1991 High	Low	Stock	Price	+ or –	Div Net	C'vr	Y'ld Gr's

Australians

1991 High	Low	Stock	Price	+ or –	Div Net	C'vr	Y'ld Gr's
53	24	ACM 50c	50	.....	‡0.3c	ϕ	2.5
27	13	ACM Gold	18	.....	0.5c	ϕ	14.4
3		Arboyne 50c	3	.....			
36½	20	Aztec Expln	32	.....	Z0.1c		1.5
49	25	Bougainville 1 Kina	34	-1			

Tins

Miscellaneous

1991 High	Low	Stock	Price	+ or –	Div Net	C'vr	Y'ld Gr's
133	118	Young Group 10p β	122	.....	5.2	1.8	5.7

NOTES

Stock Exchange dealing classifications are indicated to the right of security names: α Alpha refers to shares traded through SEAQ by at least two marketmakers and with a normal market size of 2,000 or more, based on experience of how many of its shares are traded in the typical deal. β Beta refers to all other shares. γ Gamma refers to other traded instruments.

Highs and lows are based on intra-day mid prices. Unless otherwise indicated, prices and net dividends are in pence and denominations are 25p. Estimated price/earnings ratios and covers are based on latest annual reports and accounts and, where possible, are updated on half-yearly figures. P/Es are calculated on "net" distribution basis, earnings per share being computed on profit after taxation and unrelieved ACT where applicable; bracketed figures indicate 10 per cent or more difference if calculated on "nil" distribution. Covers are based on "maximum" distribution; this compares gross dividend costs to profit after taxation, excluding exceptional profits/losses but including estimated extent of offsettable ACT. Yields are based on middle prices, are gross, adjusted to ACT of 25 per cent and allow for value of declared distribution and rights.

Estimated Net Asset Values (NAVs) are shown for Investment Trusts, in pence per share, along with the percentage discounts (Dis) or premiums (Pm -) to the current pre-closing share price. The NAV basis assumes prior charges at par value, convertibles converted and warrants exercised if dilution occurs.

- ● "Tap Stock"
- * Highs and lows marked thus have been adjusted to allow for rights issues for cash
- † Interim since increased or resumed
- ‡ Interim since reduced, passed or deferred
- ‡‡ Tax-free to non-residents on application
- ϕ Figures or report awaited
- ♥ Not officially UK listed; dealings permitted under rule 535(4)(a)
- ♦ USM; not listed on Stock Exchange and company not subjected to same degree of regulation as listed securities.
- ¤ Not officially listed.
- # Price at time of suspension
- ¶ Indicated dividend after pending scrip and/or rights issue; cover relates to previous dividend or forecast.
- ♦ Merger bid or reorganisation in progress
- ♣ Not comparable
- ♠ Same interim; reduced final and/or reduced earnings indicated
- § Forecast dividend; cover based on earnings updated by latest interim statement.
- ‡ Cover allows for conversion of shares not now ranking for dividends or ranking only for restricted dividend.
- ★ Cover does not allow for shares which may also rank for dividend at a future date. No P/E usually provided.
- ‖ No par value

B.Fr. Belgian Francs. Fr. French Francs ¶¶ Yield based on assumption Treasury Bill Rate stays unchanged until maturity of stock. a Annualised dividend. b Figures based on prospectus or other official estimates. c Cents. d Dividend rate paid or payable on part of capital, cover based on dividend on full capital. e Redemption yield. f Flat yield. g Assumed dividend and yield. h Assumed dividend and yield after scrip issue. j Payment from capital sources. k Kenya. m Interim higher than previous total. n Rights issue pending q Earnings based on preliminary figures. s Dividend and yield exclude a special payment. t Indicated dividend: cover relates to previous dividend, P/E ratio based on latest annual earnings. u Forecast, or estimated annualised dividend rate, cover based on previous year's earnings. v Subject to local tax. x Dividend cover in excess of 100 times. y Dividend and yield based on merger terms. z Dividend and yield include a special payment: Cover does not apply to special payment. A Net dividend and yield. B Preference dividend passed or deferred. C Canadian. E Minimum tender price. F Dividend and yield based on prospectus or other official estimates for 1990-91. G Assumed dividend and yield after pending scrip and/or rights issue. H Dividend and yield based on prospectus or other official estimates for 1991. K Dividend and yield based on prospectus or other official estimates for 1990. L Estimated annualised dividend, cover and P/E based on latest annual earnings. M Dividend and yield based on prospectus or other official estimates for 1991-92. N Dividend and yield based on prospectus or other official estimates for 1989-90. P Figures based on prospectus or other official estimates for 1991. Q Gross. R Forecast annualised dividend, cover and p/e based on prospectus or other official estimates. T Figures assumed. W Pro forma figures. Z Dividend total to date.

Abbreviations: xd ex dividend; xc ex scrip issue; xr ex rights; xa ex all; xd ex capital distribution.

REGIONAL & IRISH STOCKS

The following is a selection of Regional and Irish stocks, the latter being quoted in Irish currency.

Craig & Rose £1 β	640	.....
Finlay Pkg. 5p β	21	+1
Holt (Jos) 25p β	1973	.....
Helton Hldgs. γ	43	-2
IRG	130	.....
United Drug	180	.....

IRISH

Cap. 8½% Ln. 2010	£94½	-⅛
9pc Cap Ln. 1996	£98¼	-¼
Fin. 13% 97/02	£114	.....
Arnotts	180	.....

TRADITIONAL OPTIONS

3-month call rates

Industrials

	p
Allied-Lyons	46
Amstrad	7
Astec (BSR)	6
BAT	60
BOC Grp.	31
BTR	33
Barclays	38
Blue Circle	24
Boots	30
Bowaters	53
Brit Aerospace	56
British Steel	12
Brit. Telecom	29
Cadburys	33
Charter Cons	45
Comm Union	44
Courtaulds	32
Eurotunnel	30
FKI	6
FNFC	20
Gen Accident	48
GEC	17
Glaxo	80
Grand Met	62
Guardian	19
GKN	31
Hanson	19
Hawker Sidd	39
ICI	80
Ladbroke	22
Legal & Gen	36
Lex Service	20
Lloyds Bank	30
Lucas Inds	13
Marks & Spencer	21
Midland Bk	18
Nat West Bk	27
P & O Dfd	51
Racal Elect	18
RHM	20
Rank Org Ord	63
Ratners	17
Reed Intnl	36
Sears	8½
SmKl. Beecham A	50
TI	45
TSB	12
Tesco	21
Thorn EMI	64
Trust Houses	23
T&N	13
Unilever	60
Vickers	19
Wellcome	40

Property

Brit Land	30
Control Secs	3
Land Securities	45
MEPC	40
Mountleigh	8½

Oils

Ariva Petlm	3
Brit Petroleum	28
Burmah Castrol	49
Conroy Petlm	18
Gaelic Res	1
Premier	6
Shell	41
Teskar Res	2
Ultramar	30

Mines

Lonrho	21
RTZ	48

This service is available to companies whose shares are regularly traded in the United Kingdom for a fee of £1,150 a year for each security shown, subject to the Editor's discretion.

FT MANAGED FUNDS SERVICE

● Current Unit Trust prices are available on FT Cityline, call 0836 430000. Calls charged at 36p/minute cheap rate and 48p/minute at all other times. To obtain your free Unit Trust Code Booklet call 071-925-2128

AUTHORISED UNIT TRUSTS

MW Investment Managers Ltd (0659)F
46 Court St, Haddington, E. Lothian 062 082 5867

	Init Chrge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
MW Joint Investors	0	1057.9	1057.9	1086.5	....	4.35

Maldon Unit Trust Managers Ltd (1400)F
15 St Botolph St, London EC3A 7EE 031 226 6066

	Init Chrge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
Maldon General	0	119.9	119.9	123.1	......	4.72

Manulife Management Ltd (1200)H
St George's Way, Stevenage Dealings:071-256 5858

	Init Chrge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
Growth Units	5¼	136.8	136.8xd	145.5	-2.1	4.08
Gilt & Fxd Int	5	151.0	151.0	158.8	-0.1	7.97
Intl Growth	5¼	145.8	145.8	155.1	-0.5	0.45
North American ♥	5¼	96.25	96.25	102.4	-0.9	0.34
Far East	5¼	115.7	115.7	123.1	..	0.52
UK Smaller Cos	5¼	106.0	106.0	112.8	+0.4	2.81
European	5¼	54.04	54.07	57.58	+0.07	1.14
Japanese Growth	5¼	36.18	36.18	38.76	+0.1	0.00
Managed P'folio	5¼	49.97	50.23	53.44	-0.15	1.55
High Income	5¼	150.8	152.8xd	162.5	-0.6	5.75
High Yielding Gilt	5¼	61.81	61.81	65.05	+0.15	9.59
Cash		51.87	51.87	51.87	+0.03	9.06

Morgan Grenfell Unit Tst Mgrs Ltd (1000)H
20 Finsbury Circus, London EC2M 1UT
Dealers: 071-826 0836 Enquiries: 071-826 0123

	Init Chrge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
American Gwth	5¼	161.6	161.6	172.6	-0.5	0.83
European Gth Inc	5¼	201.0	201.0	214.8	+0.4	0.00
European Gth Acc	5¼	201.0	201.0	214.8	+0.4	0.00
Intl Gwth	5¼	142.0	142.0	151.2	-0.5	0.00
UK Equity Inc	5¼	121.3	121.3	130.6	-1.7	6.18
UK Equity Acc	5¼	136.6	136.6	147.1	-1.9	6.18
UK Ind Tracker Inc	5	125.7	125.7xd	134.3	-2.0	3.67
UK Ind Tracker Acc	5	136.6	136.6xd	146.0	-2.1	3.67
US Eq Ind Tracker Inc	5	140.5	140.5xd	150.7	-1.5	2.99
US Eq Ind Tracker Acc	5	145.9	145.9xd	156.5	-1.6	2.99
Japan Tracker	5	61.03	61.03	64.72	+0.02	0.00
Asian Trader	5¼	81.62	81.62	87.45	-0.35	1.53
Managed Inc	5¼	101.3	101.3	108.9	-0.8	1.92
Managed Acc	5¼	102.9	102.9	110.7	-0.8	1.92
Cash Inc	0	100.18	100.18xd	100.18	+0.06	10.48
Cash Acc	0	110.70	110.70xd	110.70	+0.06	10.48
Europa	5¼	105.0	105.0xd	112.5	+0.2	0.00

For Geoffrey Morley see Commercial Union

Guide to pricing of Authorised Unit Trusts
Compiled with the assistance of Lautro §§

INITIAL CHARGE: Charge made on sale of units. Used to defray marketing and administrative costs, including commission paid to intermediaries. This charge is included in the price of units.

OFFER PRICE: Also called issue price. The price at which units are bought by investors.

BID PRICE: Also called redemption price. The price at which units are sold back by investors.

CANCELLATION PRICE: The minimum redemption price. The maximum spread between the offer and bid prices is determined by a formula laid down by the government. In practice, most unit trust managers quote a much narrower spread. As a result, the bid price is often well above the cancellation price. However, the bid price might be moved to the cancellation price by the managers at any time, usually in circumstances in which there is a large excess of sellers of units over buyers.

TIME: The time shown alongside the fund manager's name is the time of the unit trust's valuation point unless another time is indicated by the symbol alongside the individual unit trust name. The symbols are as follows: (♥) - 0001 to 1100 hours; (♣) - 1101 to 1400 hours; (♦) - 1401 to 1700 hours; (♠) - 1701 to midnight. Daily dealing prices are set on the basis of the valuation point; a short period of time may elapse before prices become available.

HISTORIC PRICING: The letter H denotes that the managers will normally deal on the price set on the most recent valuation. The prices shown are the latest available before publication and may not be the current dealing levels because of an intervening portfolio revaluation or a switch to a forward pricing basis. The managers must deal at a forward price on request, and may move to forward pricing at any time.

FORWARD PRICING: The letter F denotes that the managers deal at the price to be set on the next valuation. Investors can be given no definite price in advance of the purchase or sale being carried out. The prices appearing in the newspaper are the most recent provided by the managers.

SCHEME PARTICULARS AND REPORTS: The most recent report and scheme particulars can be obtained free of charge from fund managers.

Other explanatory notes are contained in the last column of the FT Managed Funds Service.

§§ Life Assurance and Unit Trust Regulatory Organisation, Centre Point, 103 New Oxford Street, London WC1A 1QH Tel: 071 – 379 – 0444.

FT MANAGED FUNDS SERVICE

● Current Unit Trust prices are available on FT Cityline, call 0836 430000. Calls charged at 36p/minute cheap rate and 48p/minute at all other times. To obtain your free Unit Trust Code Booklet call 071-925-2128

Stewart Ivory Unit Tst Mgrs Ltd (1200)H
45 Charlotte Sq, Edinburgh 031-226 3271

	Init Charge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
American ♥	5	297.9	297.9	317.9	-0.4	1.31
(Accum Units) ♥	5	348.5	348.5	371.9	-0.5	1.31
British	5	818.6	818.6	866.0	-4.7	5.52
(Accum Units)	5	1368.9	1368.9	1422.8	-7.7	5.52
European	5	331.2	331.2	352.7	+2.6	1.49
(Accum Units)	5	355.0	355.0	378.0	+2.7	1.49
Japan	5	113.7	113.7	120.9	+0.9	-
(Accum Units)	5	114.6	114.6	121.8	+0.9	-
New Pacific	5	168.2	168.2	178.7	-0.4	1.98
(Accum Units)	5	172.7	172.7	183.5	-0.4	1.98
PEP Sept 12	5	142.7	144.7	153.2	....	3.63
Mngd Equity	5	125.9	127.7	135.2	+0.5	3.42
Mngd Equity Acc	5	135.5	135.4	143.4	+0.5	3.42
Mngd Cash	5	97.00	97.00	99.90	+0.1	10.50
(Accum Units)	5	114.9	114.9	118.4	+0.1	10.58
Mngd Fund Int Acc Aug 28	5	121.6	121.6	130.0	....	6.77
Majority Stlg	1	101.00	101.00	102.00	+0.05	10.39
Majority Stlg Acc	1	105.94	105.94	106.99	+0.05	10.39

Starebrand Intl Inv Mngrs Ltd (1200)F
Admin: 5 Rayleigh Rd, Hutton, Brentwood, Essex
Enquiries: 0277 227300. Dealing: 0277 261010

International Sept 13	0	50.91	50.91	51.46	..	3.46

Sun Alliance Unit Tst Mngmt Ltd (1200)F
Sun Alliance House, Horsham 0403 56293

Equity	6	618.1	626.4	669.9	-7.9	3.06
North America	6	76.62	77.41	82.79	-0.78	1.11
Far East	6	88.72	89.69	95.92	-0.26	1.85
W'wide Bond	6	47.95	47.95	51.01	+0.22	6.16
European	6	66.97	66.97	71.63	-0.09	1.29
Equity Income	6	72.18	73.17	78.26	-0.83	5.26
Portfolio	6	58.25	58.25	62.30	-0.38	2.24

Sun Life of Canada Unit Mgrs Ltd (1000)H
Basingview, Basingstoke, Hants 0800 525725

American Growth	6	25.55	25.55	27.33	-0.41	0.59
Managed Assets	6	106.18	105.87	113.23	-0.79	3.69
UK Income	6	33.78	34.28	36.67	-0.46	4.33

Funds in Court*

	Bid Price	Offer Price	+ or -	Yield Gross
Capital Sep 5	513.59	517.39	....	2.37
Gross Sep 5	189.38	190.84	....	10.22
High Yield Sep 5	299.73	302.14	....	7.26

* Restricted to monies under Court control

Henderson Unit Trust Management Ltd

Pensions Mngd	54.48	55.63	-0.37	3.62

INVESCO MIM Management Ltd
Exempt Funds

Intl Mngd P'Folio	1289	1281	....	-
Mngd Pens (Acc)	71.7	76.4	....	-

Lazard Brothers & Co. Ltd

Property Sept 5	£2440.0	2600.0	....	6.00
Inc Exh Prp Apr 16	£1325.0	1400.0	....	7.20

Lazard Investors Ltd ‡‡
Exempt Funds

Small Co's Sept 12	£3744.9	3017.2	....	4.15
European Sept 12	£540.6	546.3	....	2.08
American Sept 12	£352.7	356.3	....	2.28
Japan Sept 12	£490.2	498	....	1.31
Pacific Sept 12	£140.2	143.6	....	1.93
W Midlands Aug 30	£144.50	161.30	....	2.48

Local Authorities Mutual Invest. Tst.*
2 Fore Street, London EC2Y 5AQ 071-588 1815

Property Aug 31	199.20	203.20	....	7.39
Equity Aug 31	886.85	898.25	....	4.10

* Available only to Local Authorities

M & G Securities Ltd

Charibond Sept 13		103.94	+0.4	10.37
(Accum Units)		997.24	+2.5	10.37
NAACIF Sept 10		43.36	-	9.87

Morgan Grenfell Unit Trust Managers Ltd
Exempt Funds

UK Equity † Sept 10	135.2	142.8	....	2.72

FT MANAGED FUNDS SERVICE

● Current Unit Trust prices are available on FT Cityline, call 0836 430000. Calls charged at 36p/minute cheap rate and 48p/minute at all other times. To obtain your free Unit Trust Code Booklet call 071-925-2128

Skandia Life Assurance Co Ltd—Contd.

Target Life Assurance Co Ltd

Eurolife Assurance Group

Finexco International Ltd

Independent Financial Group PLC

Lion World Fixed Income Fund

Lloyds Intl Money Market Fund Ltd

[illegible]

OFFSHORE INSURANCES

[illegible]

MANAGEMENT SERVICES

[illegible]

OFFSHORE AND OVERSEAS

BERMUDA (SIB RECOGNISED)

[illegible]

CANADA (SIB RECOGNISED)

[illegible]

GUERNSEY (SIB RECOGNISED)

[illegible]

GUERNSEY (REGULATED)

[illegible]

IRELAND (SIB RECOGNISED)

[illegible]

IRELAND (REGULATED)

[illegible]

هكذا من الأصل

FT MANAGED FUNDS SERVICE

● Current Unit Trust prices are available on FT Cityline, call 0836 430000. Calls charged at 36p/minute cheap rate and 48p/minute at all other times. To obtain your free Unit Trust Code Booklet call 071-925-2128

ISLE OF MAN (SIB RECOGNISED)

ISLE OF MAN (REGULATED)(**)

JERSEY (SIB RECOGNISED)

JERSEY (REGULATED)(**)

LUXEMBOURG (SIB RECOGNISED)

LUXEMBOURG (REGULATED)(**)

SWITZERLAND (SIB RECOGNISED)

OTHER OFFSHORE FUNDS

MANAGED FUNDS NOTES

CURRENCIES, MONEY AND CAPITAL MARKETS

FOREIGN EXCHANGES

Rate factors boost D-Mark

INTEREST RATE factors depressed the dollar and led to a firming of the D-Mark against the US currency and sterling yesterday.

Dealers pointed out that US interest rates are now the lowest among the world's industrialised countries following Friday's cut of ½ point to 5 per cent in the US discount rate and the reduction of ¼ point to 5¼ per cent in the target level for Federal funds.

Yesterday's announcement of a fall of 0.3 per cent in July US business inventories, after a revised 0.6 per cent June drop, was in line with expectations and had little impact.

The dollar fell though support at DM1.6800 and closed in London at DM1.6735 compared with DM1.6840 on Friday. The US currency also declined to Y133.55 from Y133.90; to SFr1.4620 from SFr1.4760; and to FFr5.7000 from FFr5.7350. On Bank of England figures *the dollar's index lost 0.1 to* 64.7.

The D-Mark was firm in general, remaining the third strongest currency in the European exchange rate mechanism, below the Spanish peseta and the Belgian franc. The peseta stayed supported by high interest rates in Madrid, after the Bank of Spain left credit policies unchanged at a money market tender last Friday.

Interest rates also favoured the Belgian franc following a tightening of monetary policy by the Belgian National Bank during the last week.

Among other member of the ERM the French franc was the weakest currency, on speculation about a cut in official interest rates despite an unchanged money market intervention rate of 9.00 per cent at yesterday's securities repurchase tender held by the Bank of France.

France's consumer price index rose between 0.2 and 0.3 per cent in August, bringing the year-on-year inflation rate down to 3.0 from 3.4 per cent. Annualised French inflation in August was well below the German rate of 4.1 per cent, but demand for the D-Mark on interest rate differentials means that the franc may suffer if French rates are cut.

Recent comments by Mr Helmut Schlesinger, Bundesbank president, about strong underlying price pressures have increased fears of higher German interest rates later this year, leading to a strengthening of the D-Mark and the opening up of a gap between members of the ERM.

Sterling is at present established in the weak ERM group with the Danish krone and the French franc. This reflects expectations of another cut in UK bank base rates in the near future, leaving the pound with very little interest rate protection against the D-Mark.

Data on UK retail sales, industrial production and unit wage costs failed to move the pound.

Sterling rose ¾ cent to $1.7395, but fell to DM2.9100 from DM2.9175; to FFr9.9150 from FFr9.9325; and to SFr2.5425 from SFr2.5575, but rose to Y232.25 from Y232.00. The pound's index declined 0.1 to 91.0.

£ IN NEW YORK

Sep.16	Latest	Previous Close
£ Spot	1.7390-1.7400	1.7290-1.7300
1 month	0.71-0.69pm	0.69-0.67pm
3 months	1.96-1.93pm	1.93-1.90pm
12 months	6.60-6.53pm	6.53-6.45pm

Forward premiums and discounts apply to the US dollar

STERLING INDEX

	Sep.16	Previous
8.30 am	91.1	91.1
9.00 am	91.1	91.1
10.00 am	91.1	91.1
11.00 am	91.0	91.2
Noon	91.0	91.2
1.00 pm	91.0	91.1
2.00 pm	91.0	91.0
3.00 pm	91.0	91.1
4.00 pm	91.0	91.1

CURRENCY MOVEMENTS

Sep 16	Bank of England Index	Morgan** Guaranty Changes %
Sterling	91.0	-20.5
U.S Dollar	64.7	-14.1
Canadian Dollar	106.0	+3.6
Austrian Schilling	109.3	+11.6
Belgian Franc	110.9	-2.4
Danish Krone	108.5	+3.0
D-Mark	117.6	+24.0
Swiss Franc	109.7	+17.8
Dutch Guilder	113.7	+15.7
French Franc	102.4	-13.5
Lira	98.7	-19.9
Yen	138.6	+71.4

Morgan Guaranty changes: average 1980-1982=100. Bank of England Index (Base Average 1985=100). **Rates are for Sep.13

CURRENCY RATES

Sep 16	Bank ‡ rate %	Special * Drawing Rights	European † Currency Unit
Sterling	-	0.783976	0.702005
U.S Dollar	5.50	1.35667	1.21482
Canadian $	8.78	1.54104	1.37931
Austrian Sch	7.50	16.1498	14.4199
Belgian Franc	8.00	47.2426	42.2150
Danish Krone	9.50	8.85634	7.91455
D-Mark	7.50	2.29359	2.04916
Dutch Guilder	8.00	2.58581	2.30986
French Franc	10¼	7.80831	6.97793
Italian Lira	11½	1717.58	1533.71
Japanese Yen	5.50	182.133	162.932
Norway Krone	8	8.98428	8.03057
Spanish Peseta	-	143.916	128.458
Swedish Krona	10.00	8.34216	7.45960
Swiss Franc	7.00	2.00923	1.79125
Greek Drach	19	N/A	227.694
Irish Punt	-	N/A	0.766738

‡ Bank rate refers to central bank discount rates. These are not quoted by the UK, Spain and Ireland. † European Commission Calculations. * All SDR rates are for Sep 13

OTHER CURRENCIES

Sep 16	£	$
Argentina	17161.6 - 17198.8	9900.00 - 9910.00
Australia	2.1695 - 2.1715	1.2510 - 1.2520
Brazil	740.240 - 741.200	426.900 - 427.200
Finland	7.0940 - 7.1070	4.1020 - 4.1050
Greece	320.950 - 327.400	185.550 - 189.250
Hong Kong	13.4260 - 13.4390	7.7465 - 7.7485
Iran	115.00*	68.40*
Korea(Sth)	1272.25 - 1292.75	736.50 - 743.30
Kuwait	0.50000 - 0.50100	0.28885 - 0.28900
Luxembourg	60.05 - 60.15	34.50 - 34.60
Malaysia	4.7770 - 4.7850	2.7545 - 2.7565
Mexico	5285.25 - 5290.00	3048.00 - 3049.00
N Zealand	2.9535 - 2.9570	1.7005 - 1.7025
Saudi Ar	6.4405 - 6.5175	3.7500 - 3.7510
Singapore	2.9435 - 2.9505	1.6970 - 1.6990
S Af (Cm)	4.9045 - 4.9160	2.8190 - 2.8210
S Af (Fn)	5.4110 - 5.4960	3.1155 - 3.1645
Taiwan	46.00 - 46.10	26.55 - 26.60
U.A.E.	6.3060 - 6.3825	3.6715 - 3.6735

* Selling rate

EMS EUROPEAN CURRENCY UNIT RATES

	Ecu Central Rates	Currency Amounts Against Ecu Sep 16	% Change from Central Rate	% Spread vs Weakest Currency	Divergence Indicator
Spanish Peseta	133.631	128.458	-3.87	5.28	67
Belgian Franc	42.4032	42.2150	-0.44	1.65	26
D-Mark	2.05586	2.04916	-0.33	1.53	27
Italian Lira	1538.24	1533.71	-0.29	1.50	19
Dutch Guilder	2.31643	2.30986	-0.28	1.49	19
Irish Punt	0.767417	0.766738	-0.09	1.29	8
Sterling	0.696904	0.702005	0.73	0.47	-15
Danish Krone	7.84195	7.91455	0.93	0.27	-38
French Franc	6.89509	6.97793	1.20	0.00	-61

Ecu central rates set by the European Commission. Currencies are in descending relative strength. Percentage changes are for Ecu; a positive change denotes a weak currency. Divergence shows the ratio between two spreads: the percentage difference between the actual market and Ecu central rates for a currency, and the maximum permitted percentage deviation of the currency's market rate from its Ecu central rate.
Adjustment calculated by Financial Times.

POUND SPOT - FORWARD AGAINST THE POUND

Sep 16	Day's spread	Close	One month	% p.a.	Three months	% p.a.
US	1.7260 - 1.7415	1.7390 - 1.7400	0.70-0.68cpm	4.76	1.98-1.95pm	4.52
Canada	1.9615 - 1.9790	1.9745 - 1.9755	0.35-0.27cpm	1.88	0.91-0.78pm	1.71
Netherlands	3.2850 - 3.3110	3.2750 - 3.2850	⅜-¼cpm	1.14	⅝-½pm	0.69
Belgium	59.95 - 60.60	60.05 - 60.15	9-3cpm	1.20	19-6pm	0.83
Denmark	11.2370 - 11.3505	11.2550 - 11.2650	¼-¼orepm	0.53	1-1⅛pm	0.20
Ireland	1.0930 - 1.0940	1.0930 - 1.0940	0.05pm-par	0.27	0.13-0.03pm	0.29
Germany	2.9075 - 2.9375	2.9075 - 2.9125	⅜-⅛pfpm	1.29	⅝-½pm	0.77
Portugal	249.35 - 252.60	249.35 - 250.35	37-74cdis	-2.67	200-273dis	-3.79
Spain	182.45 - 183.90	182.85 - 183.15	26-35cdis	-2.00	95-110dis	-2.24
Italy	2178.70 - 2196.95	2178.75 - 2179.75	1-3liredis	-1.10	7-9dis	-1.47
Norway	11.4075 - 11.4980	11.4200 - 11.4300	⅛-⅜oredis	-0.26	1-1⅛dis	-0.48
France	9.9100 - 9.9960	9.9100 - 9.9200	1-⅛cpm	1.06	1⅜-1⅛pm	0.63
Sweden	10.6075 - 10.6840	10.6200 - 10.6300	⅛-⅜oredis	-0.21	⅛-1⅛dis	-0.42
Japan	231.75 - 233.80	231.75 - 232.75	¾-⅝ypm	3.55	2-1⅞pm	3.34
Austria	20.46 - 20.68	20.46 - 20.49	2⅛-1⅛gropm	1.03	4⅛-1⅞pm	0.60
Switzerland	2.5375 - 2.5705	2.5375 - 2.5475	½-⅜cpm	2.06	1⅜-1⅛pm	1.97
Ecu	1.4230 - 1.4340	1.4230 - 1.4240	0.08-0.02cpm	0.42	0.13-0.02pm	0.21

Commercial rates taken towards the end of London trading. Six-month forward dollar 3.55-3.50cpm. 12 Month 6.60-6.50cpm.

DOLLAR SPOT - FORWARD AGAINST THE DOLLAR

Sep 16	Day's spread	Close	One month	% p.a.	Three months	% p.a.
UK†	1.7260 - 1.7415	1.7390 - 1.7400	0.70-0.68cpm	4.76	1.98-1.95pm	4.52
Ireland†	1.5800 - 1.5975	1.5965 - 1.5975	0.55-0.50cpm	3.94	1.63-1.53pm	3.96
Canada	1.1340 - 1.1360	1.1350 - 1.1360	0.26-0.29cdis	-2.91	0.78-0.83dis	-2.84
Netherlands	1.8845 - 1.9075	1.8845 - 1.8855	0.57-0.60cdis	-3.72	1.77-1.82dis	-3.81
Belgium	34.50 - 34.85	34.50 - 34.60	9.40-11.40cdis	-3.61	30.00-35.00dis	-3.76
Denmark	6.4700 - 6.5330	6.4700 - 6.4750	2.15-2.45oredis	-4.26	6.65-7.25dis	-4.30
Germany	1.6720 - 1.6930	1.6730 - 1.6740	0.50-0.51pfdis	-3.62	1.54-1.57dis	-3.72
Portugal	144.00 - 144.85	144.00 - 144.10	85-95cdis	-7.50	290-310dis	-8.33
Spain	104.95 - 106.15	104.95 - 105.05	58-64cdis	-6.97	175-183dis	-6.82
Italy	1251.00 - 1266.25	1252.50 - 1253.00	6.10-6.50liredis	-6.03	18.50-19.50dis	-6.07
Norway	6.5650 - 6.6300	6.5650 - 6.5700	2.55-2.85oredis	-4.93	8.00-8.50dis	-5.02
France	5.6970 - 5.7600	5.6975 - 5.7025	1.75-1.80cdis	-3.74	5.42-5.52dis	-3.84
Sweden	6.0925 - 6.1630	6.1050 - 6.1100	2.35-2.60oredis	-4.86	7.15-7.60dis	-4.83
Japan	133.50 - 134.30	133.50 - 133.60	0.15-0.16ydis	-1.39	0.34-0.36dis	-1.05
Austria	11.7900 - 11.9075	11.8000 - 11.8050	3.55-3.95grodis	-3.81	11.10-12.30dis	-3.97
Switzerland	1.4610 - 1.4820	1.4615 - 1.4625	0.30-0.33cdis	-2.59	0.90-0.97dis	-2.56
Ecu	1.2100 - 1.2240	1.2230 - 1.2240	0.44-0.42cpm	4.22	1.30-1.24pm	4.15

Commercial rates taken towards the end of London trading. † UK, Ireland and ECU are quoted in US currency. Forward premiums and discounts apply to the US dollar and not to the individual currency.

EURO-CURRENCY INTEREST RATES

Sep 16	Short term	7 Days notice	One Month	Three Months	Six Months	One Year
Sterling	10⅝ - 10½	10⅝ - 10½	10⅝ - 10⅜	10¼ - 10⅛	10⅛ - 10	10⅛ - 10
US Dollar	5⅜ - 5¼	5⅝ - 5½	5½ - 5⅜	5½ - 5⅜	5¹¹⁄₁₆ - 5⅝	5⅞ - 5¾
Can. Dollar	8½ - 8¼	8½ - 8¼	8⅝ - 8½	8⅝ - 8½	8½ - 8⅜	8⅝ - 8½
Dutch Guilder	9⅜ - 9¼	9⅜ - 9¼	9⅜ - 9¼	9¼ - 9⅛	9⅜ - 9¼	9⅜ - 9¼
Swiss Franc	8⅛ - 7⅞	8⅛ - 7⅞	8⅛ - 8	8⅛ - 8	8⅛ - 7⅞	7⅞ - 7¾
D-Mark	9⅛ - 9	9⅛ - 9	9⅛ - 9	9¼ - 9⅛	9⅜ - 9¼	9⅝ - 9½
French Franc	9½ - 9⅜	9½ - 9⅜	9½ - 9⅜	9½ - 9⅜	9⅝ - 9½	9⅝ - 9½
Italian Lira	12 - 10	11¼ - 10½	11¼ - 10¾	11⅝ - 11¼	11⅝ - 11¼	11¾ - 11½
Belgian Franc	9⅜ - 9¼	9⅜ - 9¼	9⅜ - 9¼	9⅜ - 9¼	9⅜ - 9¼	9⅜ - 9¼
Yen	6⅞ - 6¾	6⅞ - 6¾	7⅛ - 7	6⅞ - 6¾	6⅝ - 6½	6⅜ - 6¼
Danish Krone	9⅞ - 9⅝	9⅞ - 9⅝	9⅞ - 9⅝	9⅞ - 9⅝	9⅞ - 9⅝	9⅞ - 9⅝
Asian $Sing	6 - 5¾	6 - 5¾	6⅛ - 5⅞	6⅛ - 6	6⅛ - 6	6⅛ - 6

Long term Eurodollars: two years 6½-6⅜ per cent; three years 6¹⁵⁄₁₆-6¹³⁄₁₆ per cent; four years 7¼-7⅛ per cent; five years 7⅝-7½ per cent nominal. Short term rates are call for US Dollars and Japanese Yen; others, two days' notice.

EXCHANGE CROSS RATES

Sep.16	£	$	DM	Yen	F Fr.	S Fr.	H Fl.	Lira	C$	B Fr.	ECU
£	1	1.740	2.910	232.3	9.915	2.543	3.280	2179.	1.975	60.10	1.424
$	0.575	1	1.672	133.5	5.698	1.461	1.885	1252	1.135	34.54	0.818
DM	0.344	0.598	1	79.83	3.407	0.874	1.127	748.8	0.679	20.65	0.489
YEN	4.305	7.490	12.53	1000.	42.68	10.95	14.12	9380	8.502	258.7	6.130
F Fr.	1.009	1.755	2.935	234.3	10.	2.565	3.308	2198	1.992	60.62	1.436
S Fr.	0.393	0.684	1.144	91.35	3.899	1	1.290	856.9	0.777	23.63	0.560
H Fl.	0.305	0.530	0.887	70.82	3.023	0.775	1	664.3	0.602	18.32	0.434
Lira	0.459	0.799	1.335	106.6	4.550	1.167	1.505	1000.	0.906	27.58	0.654
C$	0.506	0.881	1.473	117.6	5.020	1.288	1.661	1103	1	30.43	0.721
B Fr.	1.664	2.895	4.842	386.5	16.50	4.231	5.458	3626	3.286	100.	2.369
ECU	0.702	1.222	2.044	163.1	6.963	1.786	2.303	1530	1.387	42.21	1

Yen per 1,000: French Fr. per 10: Lira per 1,000: Belgian Fr. per 100.

FINANCIAL FUTURES AND OPTIONS

LIFFE LONG GILT FUTURES OPTIONS
£50,000 64ths of 100%

Strike Price	Calls-settlements Dec	Mar	Puts-settlements Dec	MAR
93	3-30	3-62	0-16	0-48
94	2-41	3-17	0-27	1-03
95	1-59	2-41	0-45	1-27
96	1-21	2-06	1-07	1-56
97	0-56	1-40	1-42	2-26
98	0-36	1-15	2-22	3-01
99	0-23	0-59	3-09	3-45
100	0-14	0-43	4-00	4-29

Estimated volume total, Calls 10197 Puts 4474
Previous day's open int. Calls 18404 Puts 10307

LIFFE US TREASURY BOND FUTURES OPTIONS
$100,000 64ths of 100%

Strike Price	Calls-settlements Dec	Mar	Puts-settlements Dec	MAR
95	3-59	4-03	0-17	1-07
96	3-06	3-25	0-28	1-29
97	2-22	2-52	0-44	1-56
98	1-45	2-18	1-03	2-22
99	1-11	1-54	1-33	2-58
100	0-48	1-29	2-06	3-33
101	0-31	1-09	2-53	4-13
102	0-19	0-56	3-41	4-60

Estimated volume total Calls 121 Puts 206
Previous day's open int. Calls 609 Puts 990

LIFFE BUND FUTURES OPTIONS
DM250,000 points of 100%

Strike Price	Calls-settlements Dec	Mar	Puts-settlements Dec	MAR
8350	2.01	2.33	0.09	0.24
8400	1.57	1.94	0.15	0.35
8450	1.18	1.58	0.26	0.49
8500	0.84	1.27	0.42	0.68
8550	0.57	0.99	0.65	0.90
8600	0.36	0.76	0.94	1.17
8650	0.22	0.56	1.30	1.47
8700	0.13	0.41	1.71	1.82

Estimated volume total, Calls 7326 Puts 853
Previous day's open int. Calls 53777 Puts 41393

LIFFE EUROMARK OPTIONS
DM1m points of 100%

Strike Price	Calls-settlements Sep	Dec	Puts-settlements Sep	Dec
9000	0.76	0.77	0	0.01
9025	0.51	0.53	0	0.02
9050	0.27	0.31	0.01	0.05
9075	0.02	0.14	0.01	0.13
9100	0.01	0.06	0.25	0.30
9125	0	0.03	0.49	0.52
9150	0	0.01	0.74	0.75
9175	0	0	0.99	0.99

Estimated volume total, Calls 380 Puts 786
Previous day's open int. Calls 32456 Puts 27008

LIFFE EURODOLLAR OPTIONS
US$1m points of 100%

Strike Price	Calls-settlements Sep	Dec	Puts-settlements Sep	Dec
9350	0.98	0.73	0	0.02
9375	0.73	0.51	0	0.05
9400	0.48	0.31	0	0.10
9425	0.24	0.15	0.01	0.19
9450	0.02	0.07	0.04	0.36
9475	0	0.03	0.27	0.57
9500	0	0.01	0.52	0.80
9525	0		0.77	

Estimated volume total, Calls 20 Puts 800
Previous day's open int. Calls 3868 Puts 3759

LIFFE SHORT STERLING OPTIONS
£500,000 points of 100%

Strike Price	Calls-settlements Sep	Dec	Puts-settlements Sep	Dec
8900	0.80	1.27	0	0
8925	0.55	1.02	0	0
8950	0.30	0.78	0	0.01
8975	0.08	0.55	0.03	0.03
9000	0.01	0.35	0.21	0.08
9025	0	0.19	0.45	0.17
9050	0	0.09	0.70	0.32
9075	0	0.04	0.95	0.52

Estimated volume total, Calls 4497 Puts 2482
Previous day's open int. Calls 65951 Puts 53011

LONDON (LIFFE)

20-YEAR 9% NOTIONAL GILT *
£50,000 32nds of 100%

	Close	High	Low	Prev.
Sep	95-30	96-07	95-30	96-03
Dec	96-03	96-15	96-01	96-07

Estimated volume 18202 (40850)
Previous day's open int. 0 (59623)

US TREASURY BONDS 8% *
$100,000 32nds of 100%

	Close	High	Low	Prev.
Sep	99-17	99-17	99-17	99-16
Dec	98-22	98-25	98-20	98-21

Estimated volume 601 (3768)
Previous day's open int. 0 (3850)

6% NOTIONAL GERMAN GOVT. BOND *
DM250,000 100ths of 100%

	Close	High	Low	Prev.
Dec	85.45	85.55	85.37	85.42
Mar	85.62	85.67	85.67	85.59

Estimated volume 21019 (48901)
Previous day's open int. 0 (56510)

6% NOTIONAL LONG TERM JAPANESE GOVT. BOND Y100m 100ths of 100%

	Close	High	Low
Dec	98.95	99.07	98.94
Mar	99.15		

Estimated volume 435 (1684)
Traded exclusively on APT

9% NOTIONAL ECU BOND
ECU 200,000 100ths of 100%

	Close	High	Low	Prev.
Dec	100.30	101.25	101.25	99.95
N				
A				

Estimated volume 1 (0)
Previous day's open int. 0 (274)

THREE MONTH STERLING *
£500,000 points of 100%

	Close	High	Low	Prev.
Sep	89.75	89.82	89.74	89.80
Dec	90.16	90.30	90.15	90.27
Mar	90.36	90.47	90.34	90.46
Jun	90.36	90.44	90.36	90.44
Sep	90.26	90.30	90.26	90.31
Dec	90.16	90.17	90.16	90.22

Est. Vol. (inc. figs. not shown) 22935 (41935)
Previous day's open int. 0 (140784)

THREE MONTH EURODOLLAR *
$1m points of 100%

	Close	High	Low	Prev.
Sep	94.50	94.51	94.48	94.48
Dec	94.20	94.23	94.19	94.21
Mar	94.22	94.24	94.21	94.22
Jun	93.94	93.97	93.93	93.94

Est. Vol. (inc. figs. not shown) 4465 (7046)
Previous day's open int. 0 (40582)

THREE MONTH EUROMARK *
DM 1m points of 100%

	Close	High	Low	Prev.
Sep	90.75	90.77	90.75	90.76
Dec	90.73	90.77	90.72	90.76
Mar	90.98	91.02	90.97	91.01
Jun	91.17	91.20	91.15	91.19
Sep	91.31	91.34	91.31	91.33
Dec	91.38	91.38	91.38	91.38

Estimated volume 14438 (20409)
Previous day's open int. 0 (141054)

THREE MONTH ECU
ECU 1m points of 100%

	Close	High	Low	Prev.
Sep	90.23	90.25	90.24	90.24
Dec	90.42	90.46	90.41	90.45
Mar	90.71	90.76	90.71	90.75
Jun	90.80	90.86	90.85	90.91

Estimated volume 770 (541)
Previous day's open int. 0 (5519)

THREE MONTH EURO SWISS FRANC
SFR 1m points of 100%

	Close	High	Low	Prev.
Sep	91.88	91.88	91.86	91.89
Dec	92.10	92.16	92.10	92.15
Mar	92.47	92.50	92.46	92.50
Jun	92.66	92.68	92.66	92.68

Estimated volume 3146 (3153)
Previous day's open int. 0 (21906)

FT-SE 100 INDEX *
£25 per full index point

	Close	High	Low	Prev.
Sep	2623.0	2629.0	2616.0	2638.0
Dec	2668.0	2674.0	2664.0	2683.0
Mar	2704.0			2719.0

Estimated volume 12552 (8184)
Previous day's open int. 0 (44844)

FT-SE EUROTRACK 100 INDEX
DM50 per full index point

	Close	High	Low	Prev.
Sep	1121.0			1127.0
Dec	1147.0			1152.0

Estimated volume 0 (18)
Previous day's open int. 0 (263)

* Contracts traded on APT after trading hours

CHICAGO

U.S. TREASURY BONDS (CBT) 8%
$100,000 32nds of 100%

	Latest	High	Low	Prev.
Sep	99-16	99-21	99-14	99-09
Dec	98-21	98-26	98-18	98-14
Mar	97-29	98-01	97-28	97-22
Jun	97-06	97-09	97-06	96-30
Sep	96-19	96-19	96-19	96-09
Dec	96-00	96-00	96-00	95-22
Mar	-	-	-	95-05
Jun	-	-	-	94-21
Sep	-	-	-	-
Dec	-	-	-	93-24
Mar	93-18	-	-	93-11

U.S. TREASURY BILLS (IMM)
$1m points of 100%

	Latest	High	Low	Prev.
Sep	94.82	94.83	94.82	94.82
Dec	94.86	94.87	94.85	94.83
Mar	94.85	94.86	94.84	94.84
Jun	94.57	94.59	94.57	94.59
Sep	-	94.24	-	94.22
Dec	-	-	-	93.68

SWISS FRANC (IMM)
SFr 125,000 $ per SFr

	Latest	High	Low	Prev.
Sep	0.6799	0.6806	0.6782	0.6770
Dec	0.6751	0.6759	0.6737	0.6725
Mar	0.6712	0.6720	0.6700	0.6692

JAPANESE YEN (IMM)
Y12.5m $ per Y100

	Latest	High	Low	Prev.
Sep	0.7465	0.7474	0.7453	0.7465
Dec	0.7444	0.7456	0.7436	0.7447
Mar	-	0.7448	-	0.7443
Jun	-	-	-	0.7445

DEUTSCHE MARK (IMM)
DM125,000 $ per DM

	Latest	High	Low	Prev.
Sep	0.5943	0.5949	0.5929	0.5932
Dec	0.5886	0.5895	0.5876	0.5878
Mar	0.5836	0.5840	0.5830	0.5828
Jun	-	-	-	0.5784

THREE-MONTH EURODOLLAR (IMM)
$1m points of 100%

	Latest	High	Low	Prev.
Sep	94.50	94.51	94.49	94.49
Dec	94.20	94.22	94.20	94.20
Mar	94.23	94.25	94.22	94.22
Jun	93.95	93.96	93.95	93.94
Sep	93.56	93.57	93.55	93.55
Dec	93.04	93.05	93.03	93.02
Mar	92.90	92.91	92.89	92.88
Jun	92.64	92.65	92.63	92.62

STANDARD & POORS 500 INDEX
$500 times index

	Latest	High	Low	Prev.
Sep	383.50	384.00	383.00	383.50
Dec	386.40	386.65	385.50	386.15
Mar	389.10	389.10	388.40	388.80

PHILADELPHIA SE £/$ OPTIONS
£31,250 (cents per £1)

Strike Price	Calls Oct	Nov	Dec	Mar	Puts Oct	Nov	Dec	Mar
1.625	10.55	10.55	10.52	-	0.03	0.54	1.11	-
1.650	8.05	8.25	8.35	-	0.14	0.98	1.65	-
1.675	5.74	6.23	6.51	-	0.48	1.63	2.44	-
1.700	3.77	4.52	4.95	5.89	1.20	2.53	3.40	5.70
1.725	2.29	3.13	3.64	4.73	2.15	3.67	4.67	7.09
1.750	1.27	2.15	2.61	3.73	3.62	5.19	6.20	8.59
1.775	0.62	1.39	1.86	2.89	5.49	6.94	7.87	10.28

Previous day's open int: Calls 357,350 Puts 438,089 (All currencies)
Previous day's volume: Calls 45,120 Puts 30,221 (All currencies)

PARIS

7 to 10 YEAR 10% NOTIONAL FRENCH BOND (MATIF) FUTURES

	Open	Sett price	Change	High	Low	Yield	Open int.
September	106.86	106.68	-0.12	106.92	106.64	8.94	29,395
December	106.84	106.78	-0.12	107.04	106.74	8.93	82,610
March	106.84	106.74	-0.12	106.96	106.84	8.93	5,774
June	107.24	107.00	-0.12	107.24	107.24	8.90	2,327

Estimated volume 97,212 Total Open Interest 120,106

6 to 10 YEAR 10% ITALIAN LONG TERM CONTRACT (MATIF) FUTURES

	Open	Sett price	Change	High	Low	Yield	Open int.
December	86.35	86.41	-0.05	86.52	86.33	12.44	7,023
March	-	86.40	-0.05	-	-	12.44	100

Estimated volume 6,412 Total Open Interest 7,123

THREE-MONTH PIBOR FUTURES (MATIF) (Paris interbank offered rate)

	Open	Sett price	Change	High	Low	Yield	Open int.
September	90.64	90.66	+0.03	90.67	90.63	9.37	9,374

Estimated volume 16,965 Total Open Interest 48,419

CAC-40 FUTURES (MATIF) Stock Index

	Open	Sett price	Change	High	Low	Yield	Open int.
September	1889.0	1892.0	+3.0	1901.5	1884.0	-	11,443
October	1900.0	1906.0	+3.0	1914.5	1900.0	-	7,617
November	1914.0	1920.0	+3.0	1919.5	1914.0	-	225
December	1933.0	1933.5	+3.0	1933.0	1933.0	-	1,755

Estimated volume 8,551 Total Open Interest 21,038

ECU BOND (MATIF)

	Open	Sett price	Change	High	Low	Yield	Open int.
September	106.78	106.74	-0.04	106.96	106.78	8.95	2,894
December	106.80	106.74	-0.10	106.96	106.74	8.94	3,567

Estimated volume 2,241 Total Open Interest 6,461

OPTION ON LONG-TERM FRENCH BOND (MATIF)

Strike	Calls December	March	June	Puts December	March	June
104	2.86	-	-	0.11	-	0.57
105	2.01	-	-	0.25	-	-
106	1.28	-	-	0.52	-	-
107	0.72	1.20	-	0.93	-	-
Open int.	94,361	30,293	2,075	79,973	31,625	7,700

Estimated volume 29,654 Total Open Interest 246,027

POUND - DOLLAR

FT FOREIGN EXCHANGE RATES

Spot	1-mth.	3-mth.	6-mth.	12-mth.
1.7395	1.7326	1.7198	1.7042	1.6740

IMM-STERLING $s per £

	Latest	High	Low	Prev.
Sep	1.7340	1.7360	1.7310	1.7328
Dec	1.7134	1.7160	1.7114	1.7134
Mar	1.7000	1.7010	1.7000	1.6974

BASE LENDING RATES

	%		%		%
Adam & Company	10.5	Co-operative Bank	10.5	McDonnell Douglas Bnk.	10.5
Allied Trust Bank	10.5	Coutts & Co	10.5	Midland Bank	10.5
AIB Bank	10.5	Credit Lyonnais	10.5	Mount Banking	10.5
● Henry Ansbacher	10.5	Cyprus Popular Bk	10.5	NatWestminster	10.5
B & C Merchant Bank	10.5	Dunbar Bank PLC	10.5	Northern Bank Ltd	10.5
Bank of Baroda	10.5	Duncan Lawrie	10.5	Nykredit Mortgage Bank	11.5
Banco Bilbao Vizcaya	10.5	Equatorial Bank plc	10.5	Provincial Bank PLC	14
Bank of Cyprus	10.5	Exeter Bank Limited	11	Roxburghe Bank Ltd.	11.5
Bank of Ireland	10.5	Financial & Gen. Bank	11	Royal Bk of Scotland	10.5
Bank of India	11	First National Bank Plc.	14	● Smith & Williamson Secs.	10.5
Bank of Scotland	10.5	● Robert Fleming & Co.	10.5	Standard Chartered	10.5
Banque Belge Ltd	10.5	Robert Fraser & Ptnrs.	11	TSB	10.5
Barclays Bank	10.5	Girobank	10.5	Unibank plc	10.5
Benchmark Bank	11	● Guinness Mahon	10.5	● United Bk of Kuwait	10.5
Brit Bk of Mid East	10.5	● Hambros Bank	10.5	Unity Trust Bank Plc	10.5
● Brown Shipley	10.5	Hampshire Trust Plc	13.5	Western Trust	10.5
CL Bank Nederland	10.5	Heritable & Gen Inv Bnk.	10.5	Westpac Bank Corp.	10.5
Citibank NA	10.5	● Hill Samuel	10.5	Whiteaway Laidlaw	10.5
City Merchants Bank	10.5	C. Hoare & Co.	10.5	Yorkshire Bank	10.5
Clydesdale Bank	10.5	Hongkong & Shanghai	10.5		
		● Leopold Joseph & Sons	10.5		
		Lloyds Bank	10.5		
		Meghraj Bank Ltd	10.5		

● Members of British Merchant Banking & Securities Houses Association.

MONEY MARKETS

Slightly firmer tone

THERE WAS a slightly firmer tone to interest rates on the London money market yesterday as sterling continued to weaken against the D-Mark and the Bank of England did not supply enough help to take out to take out the full underlying credit shortage. A surprisingly sharp fall in August UK retail sales had no impact.

Three-month sterling interbank rose to 10¼-10⅛ from 10⅛-10 per cent and 12-month money rose to 10⅛-10 from 10 1/16-9 15/16 per cent.

UK clearing bank base lending rate 10.5 per cent from September 4, 1991

Short sterling futures weakened on Liffe. December delivery opened slightly firmer at 90.28 but closed at 90.16 compared with 90.27 on Friday.

On the cash market the Bank of England initially forecast a day-to-day credit shortage of £650m, but revised *this to £750m at noon and to* £800m in the afternoon. Total assistance of £639m was provided.

Before lunch the authorities bought £146m bank bills in band 1 at 10⅜ per cent. In the afternoon another £198m bills were purchased, by way of £45m Treasury bills in band 1 at 10⅜ per cent; £40m bank bills in band 1 at 10⅜ per cent; and £113m bank bills in band 2 at 10⅜-10 5/16 per cent. Late assistance of around £295m was also provided.

Bills maturing in official hands, repayment of late assistance and a take-up of Treasury bills drained £607m, with exchequer transactions absorbing £480m and bank balances below target £130m. These outweighed a fall in the note circulation adding £570m to liquidity.

In Brussels the Belgian National Bank raised its seven-day advances rate to 9.00 from 8.95 per cent at a fixed rate tender against government paper and commercial bills. This tightening of Belgian monetary policy followed a similar rise in the central bank's overnight intervention rate last Thursday and a move to guide one-month rates higher on Wednesday.

In Paris the Bank of France kept its money market intervention rate at 9.00 per cent and the five to 10-day repurchase rate at 10 per cent at a securities repurchase *tender.*

In Amsterdam the Dutch Central Bank left its special advances rate at 9.0 per cent at a seven-day liquidity pact to replace Fl 3.6bn draining from the money market as a six-day facility expired.

In Frankfurt call money rose to *9.05* from *9.00* per cent as seasonal tax payments drained liquidity.

FT LONDON INTERBANK FIXING

(11.00 a.m. Sep.16) 3 months US dollars		6 months US Dollars	
bid 5¼	offer 5⅜	bid 5⅜	offer 5½

The fixing rates are the arithmetic means rounded to the nearest one-sixteenth, of the bid and offered rates for $10m quoted to the market by five reference banks at 11.00 a.m. each working day. The banks are National Westminster Bank, Bank of Tokyo, Deutsche Bank, Banque National de Paris and Morgan Guaranty Trust.

MONEY RATES

NEW YORK — Treasury Bills and Bonds

Lunchtime

Prime rate	8½	One month	5.17	Three year	6.47
Broker loan rate	7¾	Two month	5.35	Four year	6.62
Fed. funds	5⅜	Three month	5.31	Five year	7.08
Fed. funds at intervention	-	Six month	5.39	Seven year	7.43
		One year	5.52	10-year	7.63
		Two year	6.15	30-year	7.93

Sep.16	Overnight	One Month	Two Months	Three Months	Six Months	Lombard Intervention
Frankfurt	9.00-9.10	8.95-9.10	9.00-9.15	9.05-9.20	9.20-9.35	9.25
Paris	9-9⅛	9⅛-9¼	9⅛-9¼	9⅛-9⅜	9¼-9⅜	9.25
Zurich	7⅝-7⅞	7⅞-8⅛	-	7⅞-8⅛	-	-
Amsterdam	9.05-9.20	9.12-9.17	-	9.20-9.25	-	-
Tokyo	6⅛-6⅞	7⅛-7⅜	-	6⅞-6⅝	-	-
Milan	10⅝-11	11⅛-11⅜	-	11⅛-11⅜	-	-
Brussels	9.06-9.18	9⅛-9⅜	-	9⅛-9⅜	-	-
Dublin	9⅞-9⅛	9⅝-9⅞	9⅞-9⅛	9⅝-9⅞	9⅝-9⅞	-

LONDON MONEY RATES

Sep 16	Overnight	7 days notice	One Month	Three Months	Six Months	One Year
Interbank Offer	12	10¾	10½	10¼	10⅛	10⅛
Interbank Bid	10¼	10½	10⅜	10	10	10
Sterling CDs	-	-	10⅜	10⅛	10	10
Local Authority Deps.	10⅞	10⅝	10½	10¼	10⅛	10⅛
Local Authority Bonds	-	-	-	-	-	-
Discount Mkt Deps	11	10½	-	-	-	-
Company Deposits	-	-	10⅝	10⅜	10¼	10¼
Finance House Deposits	-	-	10⅝	10⅜	10⅛	10⅛
Treasury Bills (Buy)	-	-	10⅛	9⅞	9⅝	-
Bank Bills (Buy)	-	-	10⅜	9⅞	9⅞	-
Fine Trade Bills (Buy)	-	-	-	-	-	-
Dollar CDs	-	-	5.45	5.45	5.62	5.78
SDR Linked Dep. Offer	-	-	7⅜	7¼	7⅜	7½
SDR Linked Dep. Bid	-	-	7⅛	7⅛	7⅛	7¼
ECU Linked Dep. Offer	-	-	9⅝	9⅝	9¾	9⅞
ECU Linked Dep. Bid	-	-	9½	9½	9⅝	9⅝

Treasury Bills (sell); one-month 10 per cent; three months 9½ per cent; six months 9⅜ per cent; Bank Bills (sell): one-month 10⅛ per cent; three months 9⅞ per cent; Treasury Bills; Average tender rate of discount 9.5629 p.c. ECGD Fixed Rate Sterling Export Finance. Make up day August 30, 1991. Agreed rates for period Sept.25, 1991 to October 25, 1991, Scheme I: 12.08 p.c., Schemes II & III: 12.17 p.c. Reference rate for period August 1, 1991 to August 30, 1991, Scheme IV&V: 10.950 p.c. Local Authority and Finance Houses seven days' notice, others seven days' fixed. Finance Houses Base Rate 11 from September 1, 1991: Bank Deposit Rates for sums at seven days notice 4 per cent. Certificates of Tax Deposit (Series 6); Deposit £100,000 and over held under one month 7 per cent; one-three months 9½ per cent; three-six months 9 per cent; six-nine months 9 per cent; nine-twelve months 9 per cent; Under £100,000 7 per cent from Sept 5,1991, Deposits withdrawn for cash 5 per cent.

MONEY MARKET FUNDS

Money Market Trust Funds

CAF Money Management Co Ltd
The CBF Charities Deposit Account
Cent. Bd. of Fin. of Church of England
Gartmore Money Management Ltd

[illegible]

Money Market Bank Accounts

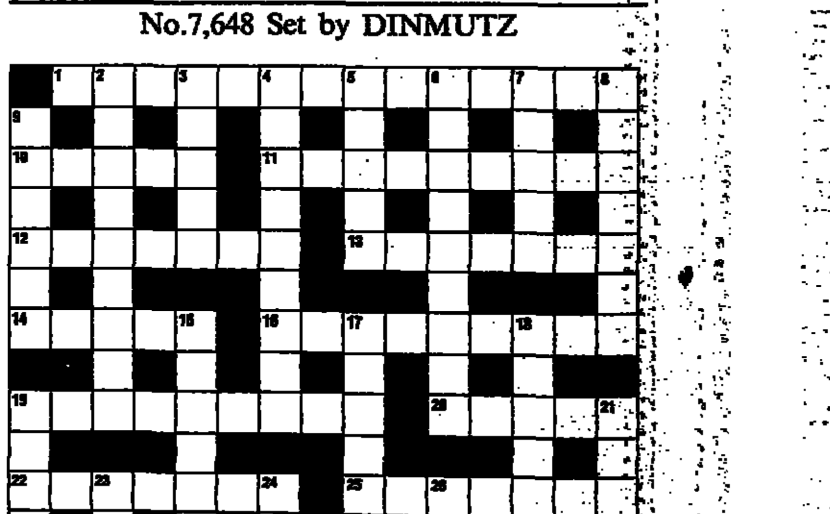
AIB Bank High Interest Cheque Account
Aitken Hume
Allied Trust Bank Ltd
American Express Bank
Bank of Ireland High Interest Cheque Acc
Bank of Scotland
Barclays Capital Advantage Account
Barclays Prime Account H.I.C.A.
Benchmark Bank PLC Premier Account
Brown Shipley & Co Ltd
Caledonian Bank Plc
Cater Allen Ltd
Charterhouse Bank Limited
Clydesdale Bank plc

[illegible]

JOTTER PAD

CROSSWORD

No.7,648 Set by DINMUTZ



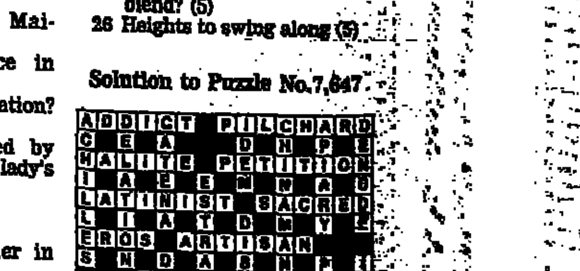
ACROSS

1 Barmaid need not give change for this machine (3-5,6)
10 Blake's forest burner? (5)
11 Not much coffee is steamed when processed (9)
12 Former spouse followed, say, in passage (7)
13 Old overcoat seen chiefly in Paris (7)
14 Turkey on a plate unacceptable – try the fish (5)
16 Being sixteen, perhaps, going to church (9)
19 Lid for baked beans? (3-6)
20 Leather sections sent back (5)
22 Delight in turn not opening (7)
25 Music to suit Maigret.... (7)
27 .... with indulgence in swing (9)
28 Ray's great concentration? (5)
29 Condition recognised by Higgins, vis-a-vis the lady's face (14)

DOWN

2 The late shift? (9)
3 Liquid oxygen carrier in main arterial road (5)
4 No place to be exchanging punches, would you say? (9)
5 Sadness in the junk-yards (5)
6 Air T-shirt badly – and risk this condition? (9)
7 This entertainment has nothing on record – or everything! (5)
8 The rate of exchange in Whitehall, for example (7)
9 Declare? Where? (6)
15 He's in The Bull, looking for a word-book (9)
17 Advocate to bury seed, say (9)
18 He believed himself to be a winner on the pools (9)
19 Colour bands of woven carpets (7)
21 US writer to attempt moving lines (6)
23 Belly-ache leaves Blimp, perhaps, in charge (5)
24 Steps taken to make bronze blend? (5)
26 Heights to swing along (5)

Solution to Puzzle No.7,647



WORLD STOCK MARKETS

CANADA

TORONTO

3:00 pm prices September 16

MONTREAL

3:00 pm prices September 16

INDICES

NEW YORK

DOW JONES	Sep 13	Sep 12	Sep 11	Sep 10	1991 HIGH	1991 LOW	Since compilation HIGH	Since compilation LOW
♦Industrials	2985.69	3007.83	2987.03	2982.56	3055.23 (28/8)	2470.30 (9/1)	3055.23 (28/8/91)	41.22 (2/7/32)
Home Bonds	96.34	96.43	96.12	96.16	96.43 (12/9)	91.30 (16/1)	96.43 (12/9/91)	54.99 (1/10/81)
Transport	1182.65	1183.89	1175.42	1162.38	1241.89 (3/6)	894.30 (7/1)	1532.01 (5/9/89)	12.32 (8/7/32)
Utilities	206.50	207.12	206.81	205.93	220.89 (16/4)	195.17 (10/7)	236.23 (2/1/90)	10.50 (8/4/32)

♦Day's High 3021.47 (3023.26) Low 2963.10 (2977.64)

STANDARD AND POOR'S

	Sep 13	Sep 12	Sep 11	Sep 10	1991 HIGH	1991 LOW	Since compilation HIGH	Since compilation LOW
Composite ‡	383.59	387.34	385.09	384.56	396.64 (28/8)	311.49 (9/1)	396.64 (28/8/91)	4.40 (1/6/32)
Industrials	454.66	459.40	456.65	456.19	472.01 (29/8)	364.90 (9/1)	472.01 (29/8/91)	3.62 (21/6/32)
Financial	31.10	31.40	31.18	31.21	32.24 (14/8)	21.96 (9/1)	35.24 (9/10/89)	8.64 (1/10/74)
NYSE Composite	210.58	212.42	211.21	211.00	217.17 (28/8)	170.97 (9/1)	217.17 (28/8/91)	4.46 (25/4/42)
Amex Mkt. Value	367.34	366.22	364.68	366.19	373.40 (18/4)	296.72 (14/1)	397.03 (10/10/89)	29.31 (9/12/72)
NASDAQ Composite	516.71	521.13	514.76	511.28	526.39 (29/8)	355.75 (14/1)	526.39 (29/8/91)	54.87 (31/10/72)

	Sep 6	Aug 30	Aug 23	year ago (approx.)
Dow Industrial Div. Yield	3.04	3.01	3.01	3.86

	Sep 11	Sep 4	Aug 28	year ago (approx.)
S & P Industrial div. yield	2.74	2.70	2.65	3.28
S & P Indl. P/E ratio	21.01	21.33	21.71	15.44

NEW YORK ACTIVE STOCKS

Friday	Stocks traded	Closing price	Change on day
Marion Merrell	5,089,200	29⅛	- 8⅝
Pfizer	3,260,300	63¾	- ⅛
Gen Electric	2,749,200	67⅝	- 1⅜
Pepsico	2,539,300	29½	- ⅜
AM T&T	2,280,000	37⅞	- ⅜
IBM	1,889,800	102⅞	- 1⅛
Arida Inc	1,839,000	16⅜	- ⅜
TCBY Ent	1,575,300	7⅜	+ 1
Philip Morris	1,474,600	72⅛	- 1⅜
Fst. Interstate	1,456,600	30⅛	- ⅜

TRADING ACTIVITY

† Volume Millions	Sep 13	Sep 12	Sep 11
New York SE	167.800	160.310	147.910
Amex	17.059	15.096	13.837
NASDAQ	166.631	172.796	151.802
NYSE			
Issues Traded	2,088	2,079	2,102
Rises	661	956	720
Falls	894	598	791
Unchanged	533	525	591
New Highs	78	66	44
New Lows	16	11	14

CANADA

TORONTO	Sep 13	Sep 12	Sep 11	Sep 10	1991 HIGH	1991 LOW
Metals & Minerals	2956.75	2959.39	2966.18	2976.40	3299.99 (18/7)	2632.06 (9/1)
Composite	3421.14	3437.59	3428.76	3448.15	3582.07 (7/6)	3161.95 (15/1)
MONTREAL Portfolio	1815.45	1823.98	1817.39	1827.86	1903.86 (7/6)	1686.89 (9/1)

Base values of all indices are 100 except NYSE All Common – 50; Standard and Poor's – 10; and Toronto Composite and Metals – 1000. Toronto indices based 1975 and Montreal Portfolio 4/1/83. † Excluding bonds.‡ Industrial, plus Utilities, Financial and Transportation. (c) Closed. (u) Unavailable.

	Sep 16	Sep 13	Sep 12	Sep 11	1991 HIGH	1991 LOW
AUSTRALIA						
All Ordinaries (1/1/80)	1557.2	1567.8	1569.1	1560.3	1591.3 (7/8)	1204.5 (16/1)
All Mining (1/1/80)	655.1	659.5	662.5	662.5	707.2 (24/7)	561.6 (16/1)
AUSTRIA						
Credit Aktien (30/12/84)	468.74	471.19	468.04	473.63	534.81 (16/4)	390.84 (15/1)
BELGIUM						
BEL20 (1/1/91)	1112.84	1119.26	1116.18	1120.13	1212.15 (17/4)	917.59 (17/1)
DENMARK						
Copenhagen SE (3/1/83)	366.88	367.59	366.62	367.89	380.84 (2/8)	302.26 (8/1)
FINLAND						
HEX General (28/12/90)	920.4	924.0	928.5	932.9	1106.9 (8/4)	898.5 (23/1)
FRANCE						
CAC General (31/12/82)	493.38	492.71	487.48	486.94	494.95 (12/6)	394.88 (15/1)
CAC 40 (31/12/87)	1878.26	1876.19	1861.17	1842.56	1878.26 (16/9)	1425.26 (15/1)
GERMANY						
FAZ Aktien (31/12/58)	677.30	678.10	674.59	675.64	717.43 (17/6)	578.48 (15/1)
Commerzbank (1/12/53)	1907.1	1909.3	1899.60	1904.60	2035.2 (31/5)	1612.5 (15/1)
DAX (30/12/87)	1629.75	1637.62	1631.32	1628.19	1715.80 (11/6)	1311.82 (16/1)
HONG KONG						
Hang Seng Bank (31/7/64)	3953.53	3974.12	3970.10	3966.93	4079.01 (14/8)	2984.01 (16/1)
IRELAND						
ISEQ Overall (4/1/88)	1464.64	1467.80	1457.72	1454.66	1520.65 (15/3)	1114.86 (25/1)
ITALY						
Banca Com. Ital. (1972)	541.61	544.24	540.91	542.12	619.38 (3/6)	486.26 (29/1)
JAPAN						
Nikkei (16/5/49)	(c)	23134.43	22530.20	22584.79	27146.91 (18/3)	21456.76 (19/8)
Tokyo SE (Topix) (4/1/68)	(c)	1786.84	1748.58	1748.36	2028.85 (18/3)	1625.00 (17/1)
2nd Section (4/1/68)	(c)	2734.65	2734.21	2738.50	3423.46 (10/5)	2473.52 (24/1)
MALAYSIA						
KLSE Composite (4/4/86)	541.34	544.46	549.41	548.78	635.02 (29/5)	470.41 (16/1)
NETHERLANDS						
CBS Ttl.Rtn.Gen.(End 1983)	280.2	279.7	280.1	280.3	284.8 (5/6)	221.4 (16/1)
CBS All Shr (End 1983)	197.1	198.4	198.7	198.8	203.1 (5/6)	162.3 (16/1)
NORWAY						
Oslo SE (Ind) (2/1/83)	762.58	769.57	767.67	763.44	793.53 (26/8)	610.45 (21/1)
PHILIPPINES						
Manila Comp (2/1/85)	905.70	918.58	902.82	895.28	1183.40 (29/5)	582.64 (10/1)
SINGAPORE						
SES All-Singapore (2/4/75)	384.06	385.99	387.20	386.58	422.43 (26/4)	315.87 (16/1)
SOUTH AFRICA						
JSE Gold (28/9/78)	1188.04	1119.0	1139.8	1133.0	1469.0 (5/7)	971.0 (25/2)
JSE Industrial (28/9/78)	4203.04	4209.0	4218.0	4197.0	4237.0 (10/9)	2829.0 (16/1)
SOUTH KOREA **						
Korea Comp Ex. (4/1/80)	685.34	688.85	685.31	690.71	763.10 (6/8)	590.57 (22/6)
SPAIN						
Madrid SE (30/12/85)	272.07	272.32	271.32	269.91	289.22 (18/3)	213.70 (14/1)
SWEDEN						
Affarsvärlden Gen. (1/2/37)	1081.0	1089.5	1094.4	1085.8	1149.8 (11/7)	808.4 (8/1)
SWITZERLAND						
Swiss Bank Ind. (31/12/58)	754.4	760.1	759.5	759.0	769.2 (29/8)	590.4 (14/1)
SBC General (1/4/87)	621.6	625.9	625.2	624.8	638.0 (31/5)	487.1 (14/1)
TAIWAN **						
Weighted Price (30/6/66)	4565.99	4544.47	4663.02	4668.49	6305.22 (9/5)	3316.26 (15/1)
THAILAND						
Bangkok SET (30/4/75)	711.47	715.57	722.55	722.59	908.13 (19/4)	582.48 (16/1)
WORLD						
M.S. Capital Intl.(1/1/70) (§)	508.5*	508.9	506.5	503.7	529.2 (17/4)	439.1 (16/1)

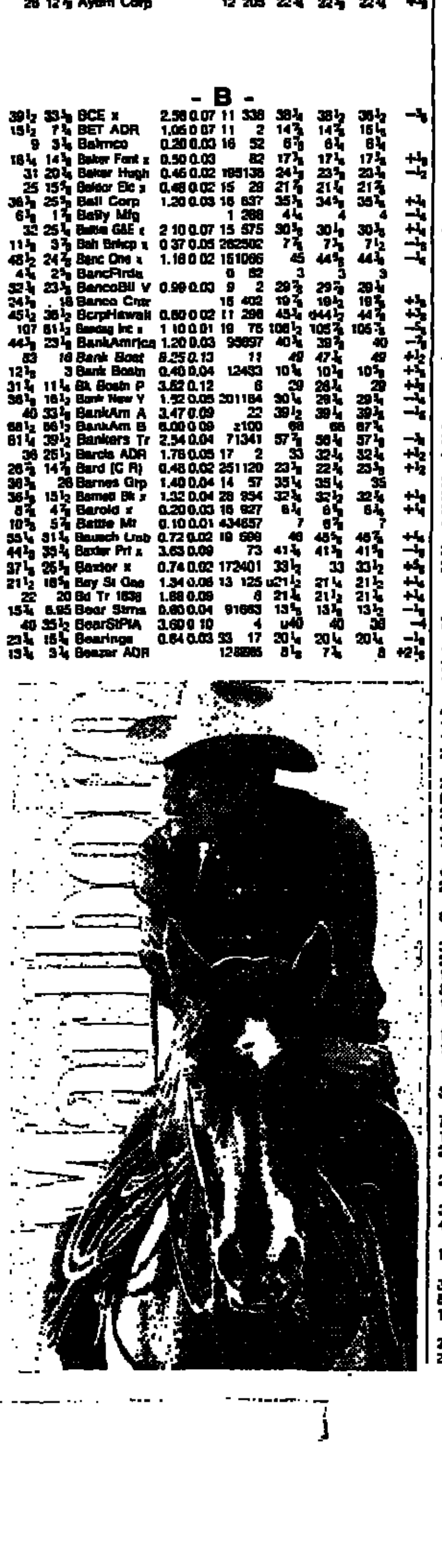
**Saturday September 14: Taiwan Weighted Price: 4534.26 Korea Comp Ex. 688.71.
§ Subject to official recalculation. *Calculated at 15.00 GMT.
Base values of all indices are 100 except: BEL20, HEX General, ISEQ Overall and DAX – 1,000, JSE Gold – 255.7, JSE 26 Industrials – 264.3 and Australia All Ordinary and Mining – 500; (c) Closed. (u) Unavailable.

Price data supplied by Telekurs.

3:00 pm prices September 16

NEW YORK STOCK EXCHANGE COMPOSITE PRICES

1991 High	1991 Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
16⅞	9¼	AAR Corp	0.48	0.03	15	188	15	14½	14¾	-¼
19¼	14½	A L Labs A	0.16	0.01	17	857	16¼	16⅛	16⅛	-⅛
55¼	40⅞	AMP Inc	1.44	0.03	18	862	51½	50⅞	51½	+½
66⅞	44¼	AMR				11640	58½	57¾	57¾	-1
2⅝	1	ARX			1	150	1⅛	1⅛	1⅛	
58	41½	ASA	3.50	0.08	13	267	46¼	45⅞	45⅞	-⅛
65¼	38¼	Abbott Lab	1.00	0.02	22	3596	53⅛	52⅝	53	+¼
14⅝	9⅞	Abitibi Pr	0.50	0.04	25	34	13⅞	13⅝	13⅝	-¼
11⅝	10⅝	ACM Gvt In x	1.26	0.11		691	11⅛	11	11⅛	
9¾	8¾	ACM GvOps x	1.01	0.11		96	9⅛	8⅞	9⅛	-⅛
9¼	8¼	ACM Gvt Sp	1.01	0.11		338	9⅛	9	9⅛	
11	9⅞	ACM Gvt Se	1.26	0.12		900	10⅝	10½	10⅝	
8⅝	7⅝	ACM Man x	1.01	0.12		204	8½	8⅜	8½	
12⅞	11½	ACM Mospt x	1.35	0.11		142	12⅜	12⅛	12⅛	-⅛
7½	4¾	Acme Cleve	0.40	0.06	16	43	6¼	6	6¼	+¼
6	3⅝	Acme Elect			2	10	4⅝	4⅞	4⅞	-⅛
40	22¾	Acuson			20	1075	30¼	29½	29⅝	-1
19⅛	14¼	Adams Expr	0.73	0.04	0	238	19	18⅞	18⅞	
20⅛	17½	Adobe12Pf	2.40	0.12		6	19¼	19¼	19¼	+¼
9¼	6⅝	Adobe Res			46	308	7	7	7	
38⅝	18	Ad Micro				z100	34¼	34¼	34¼	
14¼	4⅝	Ad Micro P	3.00	0.28	17	7726	11⅛	10¼	10¼	-½
5⅛	2¼	Advest Grp	0.16	0.05	4	180	3⅛	2⅞	3⅛	
49⅛	32¼	Aetna Ll	2.76	0.09		89008	32⅞	31⅞	31⅞	-⅝
10⅝	6⅝	Allbt A	0.24	0.03	45	394	8⅜	8⅛	8⅛	-⅛
20⅞	12	Ahmanson	0.88	0.05	10	717	18	17½	17½	-½
13⅝	2⅞	Aileen Inc			10	58	10⅝	10⅝	10⅝	-¼
74⅛	51⅜	Air Pr Chm	1.58	0.02	14	695	67	66⅞	67	-⅛
30	18⅝	Airbne Frt	0.30	0.01	17	735	27⅞	26⅛	26½	-1⅛
18⅞	12½	Airgas Inc			98	83	18	17⅝	17¾	-¼
15¼	10	Airlease x	1.68	0.13	7	71	13⅛	13	13⅛	+⅛
98½	86¼	AlaPw8.16	8.16	0.08		5	93½	93½	93	+2½
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]



Continued on next page

مكتبة الأهرام

هكذا من الأصل

NYSE COMPOSITE PRICES

Continued from previous page

1991 High	1991 Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
11	7½	Royce Val				116	9⅝	9¼	9⅝	
59⅛	37	Rubbermaid	0.60	0.01	28	581	55½	54⅞	55	
16¾	13½	Ruddick x	0.39	0.02	12	88	15½	15⅛	15¼	−⅛
18¼	13	RussBerrie	0.60	0.03	14	47	17⅝	17⅛	17⅝	+¼
7⅛	4	Russ Togs	0.20	0.04	1	115	4½	4⅜	4½	+⅛
29⅝	19¾	Russell Cp	0.32	0.01	23	654	29¾	28¾	29¼	+⅞
21⅝	14	Ryder Syst	0.60	0.03	26	286	18	17⅞	18	+⅛
29¼	13¼	Ryland Grp	0.60	0.03	33	54	21¼	21	21	

- S -

1991 High	1991 Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
26½	20⅛	S Anita Rt	2.08	0.08	20	11	25⅞	25	25⅝	+⅛
15¼	11½	SCOR US Cp	0.24	0.02	8	10	13½	13⅛	13½	+¼
37	20¾	SPS Techno x	1.28	0.05	12	8	26⅞	25⅝	25⅝	−⅛
2⅛	¾	SaatchiAS			0	418	⅞	⅞	⅞	
13	11	Sabine Rit x	1.32	0.11	7	71	12¾	12⅛	12¾	+⅛
9⅞	5⅞	Safecard	0.15	0.02	7	21	8¼	8¼	8¼	
13¼	8⅝	Safeg'd Sc			3	43	11½	11⅛	11¼	
37	25	SafetyKln x	0.32	0.01	26	946	27⅞	27½	27⅝	−¼
21⅝	11⅞	Safeway			15	407	16¾	16¼	16⅝	−⅛
4⅞	2⅜	SafewayW96				145	3⅝	3½	3½	
35⅞	26⅞	StJoePaper x	0.20	0.01	34	23	31¾	31½	31½	
34¼	26⅝	StJoeLt&P	1.66	0.05	12	15	32¼	32¼	32¼	−¼
4¼	1½	Salant Crp			0	45	3⅛	2⅞	3⅛	
60⅞	43⅝	Sallie Mae	0.60	0.01	19	620	64¼	64	64⅛	−⅛
13⅝	10⅛	Salomon Br	0.60	0.04		210	13⅜	13¼	13¼	−⅛
37	22¼	Salomonlnc x	0.64	0.03	68	117	24⅜	23¾	24⅛	−¼
45¾	37⅛	SanDgo G&E x	2.80	0.07	11	301	40⅞	40⅝	40⅞	+⅛
4⅛	2¾	SantaFeEDu	0.60	0.19	20	77	3¼	3⅛	3⅛	
16¼	11	SantaFeERs	0.16	0.01	23	245	11⅝	11⅜	11½	
33	25	SantaFeP.Sc	2.65	0.08	10	130	u33½	32⅛	32½	−½

1991 High	1991 Low	Stock	Div.	Yld.	P/E	Sls 100s
18⅞	7	TCF Financ	0.40	0.02	9	1[illegible]
8⅝	6⅞	TCW Conv S	0.84	0.10		1[illegible]
48⅜	29⅞	TDK Corp A x	0.36	0.01	32	[illegible]
9½	6⅝	T I S Mtge x	1.32	0.14	8	[illegible]
20⅝	9⅝	TJX Cos x	0.46	0.03	16	16[illegible]
21	18½	TNP Enterp	1.63	0.08	10	1[illegible]
46¼	34½	TRW Inc	1.80	0.04	17	8[illegible]
1½		TacomaBoat			0	[illegible]
25¼	18⅛	Taiwan Fd				
6¼	4½	Talleylnd	0.20	0.04	0	[illegible]
11⅛	7	Talley Pf	1.00	0.13		
59½	38⅝	Tambrands	1.20	0.02	21	4[illegible]
18⅛	9¼	Tandem			20	13[illegible]
36½	23¾	Tandy Corp	0.60	0.02	10	11[illegible]
12½	10⅞	Teams Man x	0.85	0.07		1[illegible]
38⅝	31½	Teco Energ	1.72	0.05	14	1[illegible]
30⅞	16¾	Tektronix	0.60	0.03	13	46[illegible]
1⅞		Telecom Co			8	[illegible]
24⅛	14⅞	Teledyne	0.80	0.04	30	3[illegible]
30¼	24⅝	TeleEspSA	1.41	0.05		452[illegible]
38½	24½	Telmex ADR				8[illegible]
49½	38½	Templelnl	0.88	0.02	13	4[illegible]
19⅞	11½	TempltEmMk	0.16	0.01		[illegible]
9⅝	8⅝	TempltGlob	0.84	0.09		1[illegible]
8⅞	7⅞	TempltGFd x	0.84	0.10		1[illegible]
52	33½	Tennecolnc	3.20	0.08	24	674
22	16⅝	Teppco Pts	2.20	0.11	17	1[illegible]
14⅜	6¼	Teradyne			68	7[illegible]
14¼	7½	Terex	0.06	0.00	15	2[illegible]
9⅜	5¾	Tesoro Pet			20	[illegible]
70	58½	Texaco	3.20	0.05	12	326
53	40¾	Texaco C	4.10	0.08		

- X - Y - Z -

1991 High	1991 Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
51½	43¼	Xerox4 125				18	57	51	51	
21½	14⅛	Xtra 1.94				154	21⅛	20⅞	20⅞	−⅛
24⅞	14¼	Xtra Corp	0.72	0.03	76	109	23⅛	23	23	−¼
24¼	21¾	Yankee Egy	1.60	0.07	11	23	23¾	23⅝	23⅝	−⅛
1½	½	Zapata			2	182	⅞	13/16	13/16	−1/16
9⅞	5½	ZenithElec			1	175	5¾	5⅝	5¾	+⅛
18½	12	Zenith Nal x	1.00	0.06	97	9	16½	16⅛	16½	+⅛
8¼	4½	Zeno Inc x	0.84	0.14		146	6	5⅞	6	+⅛
15⅛	10⅞	Zero Corp	0.40	0.03	17	19	14¼	14⅛	14¼	+⅛
41⅜	29½	Zurn Ind x	0.88	0.02	14	168	34¼	34½	34¾	+¼
13½	10¼	Zweig Fund	1.12	0.09		238	12⅛	11⅞	12⅛	+¼
10¼	8½	Zweig Totl r	0.96	0.10		482	10⅛	10	10	−⅛

Price data supplied by Telekurs.

Sales figures are unofficial. Yearly highs and lows reflect the previous 52 weeks plus the current week, but not the latest trading day. Where a split or stock dividend amounting to 25 percent or more has been paid, the year's high-only range and dividend are shown for the new stock only. Unless otherwise noted, rates of dividend are annual disbursements based on the latest declaration.

a-dividend also xtra(s). b-annual rate of dividend plus stock dividend. c-liquidating dividend. cld-called. d-new yearly low. e-dividend declared or paid in preceding 12 months. g-dividend in Canadian funds, subject to 15% non-residence tax. i-dividend declared after split-up or stock dividend. j-dividend paid this year, omitted, deferred, or no action taken at latest dividend meeting. k-dividend declared or paid this year, an accumulative issue with dividends in arrears. n-new issue in the past 52 weeks. The high-low range begins with the start of trading. nd-next day delivery. P/E price-earnings ratio. r-dividend declared or paid in preceding 12 months, plus stock dividend. s-stock split. Dividends begin with date of split. sls-sales. t-dividend paid in stock in preceding 12 months, estimated cash value on ex-dividend or ex-distribution date. u-new yearly high. v-trading halted. vi-in bankruptcy or receivership or being reorganised under the Bankruptcy Act, or securities assumed by such companies. wd-distributed. wi-when issued. ww-with warrants. x-ex-dividend or ex-rights. xdis-ex-distribution. xw-without warrants. y-ex-dividend and sales in full. yld-yield. z-sales in full.

AMEX COMPOSITE PRICES

3:00 pm prices September 16

Stock	Div.	P/E	Sls 100s	High	Low	Close	Chng
Giant FdA	0.66	11	917	22⅝	22¼	22½	−⅛
Glatfltr	1.20	16	55	58	55¾	58	+½
Goldfield		8	11	¼	d¼	¼	
Greenman		70	208	4¼	4⅛	4¼	+⅛
Greiner	0.30	18	17	15	14¾	15	
GRI Corp		67	30	3⅜	3⅜	3⅜	
Gulf Cda	0.36	184	67	7½	7⅜	7⅜	−⅛
Hasbro	0.24	31	1580	27⅛	26⅞	27⅛	−⅛
Health Ch		1	16	1⅝	1⅝	1⅝	

Stock	Div.	P/E	Sls 100s	High	Low	Close	Chng
Nabors		12	940	5½	5⅛	[illegible]	
Nat Ptnt		2	1488	5⅛	4⅞	[illegible]	
New Line		27	764	12⅛	11⅞	[illegible]	
NY TimesA	0.56	53	498	21⅞	21⅝	[illegible]	
NthCanOil	0.20	33	58	13⅜	13¾	[illegible]	
Numac O&G		38	2	4⅜	d4⅜	[illegible]	
NV Ryan		0	3	11/16	11/16	[illegible]	
Odetics A		18	10	4⅛	4⅛	[illegible]	
Olsten	0.24	34	121	23¾	22⅞	[illegible]	
OMI Corp	0.14	13	118	9⅛	9⅛	[illegible]	
Pall Corp	0.44	27	731	37¾	37¼	[illegible]	

Stock	Div.	P/E	Sls 100s	High	Low	Close	Chng
Pegasus G		6	838	9⅞	d9⅝	9⅞	+⅛
Pertni		6	13	10½	10¼	10¼	−¼
Pet H&P x	0.31	12	25	10	10	10	−⅛
Phil LD x	0.17	8	158	19¼	19	19⅛	−⅛
Pittway A	0.70	9	14	22⅞	22⅛	22⅛	−¼
Ply Gem	0.12	164	658	8½	8⅛	8¼	+⅛
PresidioA	0.10	2	37	3⅞	3⅜	3⅞	−⅛
Price Com		0	20	⅝	⅝	¼	
Pro Med	0.56	13	57	u7¼	6⅞	7⅛	+¼
Prof Care		22	5	9⅞	9⅞	10	
RB&W Cp		4	36	3½	d3⅜	3½	−⅛
RiedelEnv		5	13	4⅝	4⅝	4⅝	

NASDAQ NATIONAL MARKET

3:00 pm prices September 16

- X - Y - Z -

Stock	Div.	P/E	Sls 100s	High	Low	Last	Chng
Xilinx		35	805	28	27	28	+⅞
XL Data		34	243	11¾	11½	11½	−⅛
Xoma Corp		9	2694	17¼	16½	16¾	
Yellow Fr	0.94	16	386	30	29½	30	
York Rsch		58	3534	8¾	6¼	7	−1⅝
ZionsUtah	1.44	10	55	48	47	47½	−⅛

AMERICA

Dow holds steady after last week's policy easing

Wall Street

A DULL morning on Wall Street saw shares trading in a narrowly mixed range as the market held steady in the wake of Friday's easing of monetary policy by the Federal Reserve, *writes Karen Zagor in New York.*

At 1.30pm, the Dow Jones Industrial Average was 10.96 higher at 2,996.65 on moderate volume. Although the broadly-based Standard & Poor's 500 was also higher, adding 0.11 to 383.70 at 12.30pm, declining issues on the big board led those advancing by a ratio of eight to seven. The secondary market did not follow big board issues higher yesterday morning. At midday the Nasdaq composite was 1.03 lower at 515.68, while the American Exchange composite was off 0.79 at 366.55. On Friday, the Dow lost 22.14 to close at 2,985.69.

Now that Wall Street was no longer waiting for a cut in interest rates, corporate news was once more the dominant force behind stock price movements.

Beazer led the trading on the New York Stock Exchange yesterday morning, climbing $2¼ to $8 after the UK's Hanson said it would make a cash and warrant offer of £350m for the company.

PepsiCo slid $⅝ to $28⅞ on news that the company will take a $100m pre-tax charge third quarter to cover job cuts and reorganisation at its Frito Lay operations.

Nike jumped $2⅝ to $50⅝ after turning in surprisingly strong first quarter earnings. Although the athletic shoe maker expects a weaker second quarter, profits are expected to rebound in the second half. The projections helped shares in other sports shoe makers. L.A. Gear added $¼ to $11⅞ and Reebok rose $1⅜ to $32.

The sell-off in Salomon was revived yesterday morning, with the stock losing $¼ to $24⅛. The scandal-ridden brokerage house is negotiating a new multi-billion dollar loan to replace some of its commercial paper borrowings.

Among actively-traded blue chip issues, IBM rose $1⅝ to $104½ and Philip Morris eased $¾ to $72⅛.

TCBY Enterprises dropped $⅞ to $7⅞ after slashing its dividend to 5 cents from 10 cents and reporting third quarter earnings of 18 cents a share against 25 cents a year ago.

Northrop slipped $¾ to $22⅛ on reports that Congress will probably freeze future orders of the company's B-2 bomber.

High-tech stocks led the secondary market yesterday morning. Intel fell $1 to $42, Lotus Development lost $1¾ to $30½ and Sun Microsystems eased $¾ to $29¾.

Biotech issues were also actively traded, with Amgen rising $1¼ to $56¾ and Centocorp firming $¼ to $53.

First National Pennsylvania jumped $2½ to $28 on news that it had entered a merger agreement with PNC Financial whereby each First National share will be exchanged for 0.81 of a PNC share.

Canada

TORONTO stocks were flat at midday. The composite index was up 0.26 at 3,421.3. Declining issues led advances by 192 to 131 in volume of 8.2m shares valued at C$82.07m.

Among active shares, Hyal Pharmaceutical eased 10 cents to C$3, Canadian Pacific slipped C$⅛ to C$18⅝, Maclean Hunter was flat at C$10 and Thomson rose C$⅛ to C$14½.

IAF Biochem rose C$¾ to C$32, a new 52-week high. In Montreal, where shares in the Quebec-based company are more often traded, Biochem rose C$1¾ to C$32⅝. The pharmaceutical company said that it was proposing a stock split of its 18m common shares; it also said that its second quarter earnings had deteriorated to a loss of six cents per share from a loss of two cents per share previously.

ASIA PACIFIC

Manila falls on US expulsion

By Greg Hutchinson in Manila

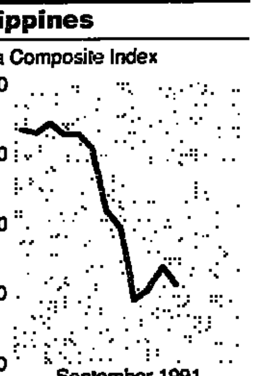
THE PHILIPPINE stock market fell ahead of the formal vote late last night by the country's senate in favour of ending the almost century-long US military presence.

The fall was limited, however, by reports that President Corazon Aquino would push for a referendum in an attempt to nullify the senate vote. The senate rejected, by 12 votes to 11, a treaty to extend the Americans' stay, following the expiry of a 25-year agreement yesterday. A two-thirds majority would have been necessary to pass the treaty.

Yesterday, the Manila composite index fell 12.88 or 1.4 per cent to 905.70 and the Makati composite shed 11.93 or 1.3 per cent to 915.58. "We didn't see a big drop, as the market had pretty much discounted a no vote," said Mr George Lichauco of stockbrokers Anscor Hagedorn. Combined turnover on the twin exchanges eased to 110m pesos from Friday's 145m.

Philippines

Manila Composite Index



Source: Datastream

Since it became clear two weeks ago that the senate was likely to reject the treaty, the Manila and Makati exchanges have lost 11 per cent of their value. Much of the selling has been foreign, and the stocks worst hit have been the main blue chips.

Manila has dropped 23.5 per cent from its 1991 high of 1,183.40 reached at the end of May, just before the eruption in June of Mount Pinatubo. Brokers said that, if the US were to pull out swiftly, the market could lose a further 15 to 20 per cent in the next three months.

There were signs yesterday that the US could delay its decision to leave its former colony. Mr Stanley Schrager, spokesman for the US embassy in Manila, said Washington supported Mrs Aquino's efforts to have the issue put to a national referendum. Lawyers, however, warned that such a referendum might be prohibited by the constitution.

Region quiet in Tokyo's absence

THE ABSENCE of a lead from Japan yesterday kept most Pacific Rim markets quiet and cautious. The Tokyo stock market was closed for a national holiday.

AUSTRALIA fell sharply after Wall Street's retreat on Friday. The All Ordinaries index lost 10.7 to 1,557.1, while the All Resources index shed 7.2 to 913.4 as a stronger Australian dollar put pressure on the sector. Turnover declined to A$166m from A$252m.

Rights issue news weighed on some stocks. Pacific Dunlop slipped 4 cents to A$5.18 after the diversified manufacturing group announced a one-for-five rights offer at A$4.30 a share to raise A$673m.

Faulding, the pharmaceuticals company, weakened 14 cents initially after announcing a one-for-five rights issue at A$3.50 a share to raise A$54m. However, the stock later recovered to close unchanged on balance at A$5.

NEW ZEALAND was pulled lower by another fall in Fletcher Challenge, which lost 6 cents to NZ$3.43 after last week's downgrading of profits forecasts by analysts. The NZSE-40 index shed 3.63 to 1,408.77 in active turnover of NZ$22m, down from NZ$24m.

SINGAPORE declined in light volume, with the Straits Times Industrial index losing 11.02 to 1,404.67. About 26m shares changed hands, down from Friday's 81m, which had included a placement of 56m Singapore Land shares.

Scotts Holdings was the most active stock as it made its debut, closing at S$1.05 after an offer price of S$1.25.

HONG KONG also eased in quiet trading, as the weekend's elections failed to stir the market. The Hang Seng index retreated 20.59 to 3,953.53 in turnover of HK$1.09bn, after Friday's HK$1.05bn.

TAIWAN picked up on bargain hunting, but turnover fell to its lowest level for eight months. The weighted index gained 31.73 to 4,565.99 in trading worth T$9.5bn, down from Saturday's T$9.9bn and the worst figure since T$9.2bn on January 15 near the start of the Gulf war.

KUALA LUMPUR extended last week's losses, the composite index slipping 3.12 to 541.34 in volume of 26.7m shares.

SEOUL fell on profit-taking. The composite index, up 7.86 on Saturday, shed 3.37 to 685.34 in turnover of Won187bn.

BOMBAY reached another all-time high. The BSE index leapt 50.61 or 2.7 per cent to 1,912.35. Rumours that the rupee might be devalued boosted export-related stocks.

JAKARTA lost ground on growing concern about the economy. The index receded 7.2 or 2.4 per cent to 288.09 on turnover of 5.03m shares.

FT-ACTUARIES WORLD INDICES

Jointly compiled by The Financial Times Limited, Goldman, Sachs & Co., and County NatWest/Wood Mackenzie in conjunction with the Institute of Actuaries and the Faculty of Actuaries

NATIONAL AND REGIONAL MARKETS	FRIDAY SEPTEMBER 13 1991								THURSDAY SEPTEMBER 12 1991					DOLLAR INDEX		
Figures in parentheses show number of lines of stock	US Dollar Index	Day's Change %	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	Local % chg on day	Gross Div Yield	US Dollar Index	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	1991 High	1991 Low	Year ago (approx)
Australia (70)	151.35	−0.3	129.56	128.11	132.51	126.64	−0.1	4.77	151.75	129.79	128.59	132.98	126.77	151.75	112.74	144.16
Austria (20)	183.46	+0.1	157.04	155.28	160.62	161.10	+0.2	1.76	183.23	156.71	155.26	160.56	160.77	222.37	154.82	220.45
Belgium (47)	131.00	+0.3	112.14	110.87	114.69	112.26	+0.3	5.28	130.65	111.74	110.70	114.49	111.97	151.20	118.04	140.26
Canada (114)	136.75	−0.3	117.06	115.74	119.72	112.49	−0.4	3.37	137.20	117.34	116.25	120.22	112.96	142.27	126.49	128.82
Denmark (37)	257.49	+0.6	220.41	217.94	225.43	227.72	+0.4	1.55	255.97	218.92	216.90	224.31	226.73	270.56	217.74	259.09
Finland (16)	94.75	−0.7	81.10	80.20	82.95	81.93	−0.7	2.94	95.43	81.62	80.87	83.63	82.54	125.15	89.53	116.33
France (109)	142.90	+1.1	122.32	120.94	125.10	128.55	+1.0	3.45	141.34	120.88	119.75	123.84	127.31	152.26	119.11	136.23
Germany (65)	111.46	+0.6	95.41	94.35	97.58	97.58	+0.6	2.30	110.75	94.72	93.85	97.04	97.04	125.35	94.15	119.68
Hong Kong (55)	165.52	+0.2	141.69	140.10	144.92	164.67	+0.2	4.28	165.16	141.25	139.95	144.73	164.29	169.98	119.62	125.37
Ireland (18)	162.52	+0.4	139.12	137.56	142.29	144.21	+0.1	3.47	161.82	138.40	137.12	141.80	144.08	182.46	132.88	147.52
Italy (77)	72.70	+1.0	62.23	61.53	63.64	68.43	+0.8	3.42	71.97	61.56	60.98	63.07	67.88	88.23	64.76	90.36
Japan (474)	131.72	+2.4	112.75	111.49	115.34	111.49	+2.3	0.76	128.62	110.00	108.98	112.72	108.98	146.97	118.23	132.39
Malaysia (68)	203.89	−0.5	174.53	172.57	178.50	216.38	−0.6	2.81	204.96	175.29	173.66	179.60	217.63	247.78	169.18	216.87
Mexico (18)	1226.36	+1.2	1049.77	1038.00	1073.69	4087.56	+1.2	1.30	1211.95	1036.53	1026.95	1062.02	4039.52	1226.36	534.45	514.95
Netherland (31)	141.91	−0.1	121.48	120.12	124.25	122.97	−0.2	4.36	142.02	121.46	120.34	124.45	123.16	145.73	125.70	138.14
New Zealand (14)	47.08	+0.3	40.30	39.85	41.22	42.74	+0.3	7.13	46.94	40.15	39.78	41.13	42.60	54.64	41.18	60.11
Norway (31)	203.67	+0.5	174.34	172.39	178.32	182.52	+0.5	1.54	202.60	173.27	171.68	177.54	181.70	223.24	178.58	269.58
Singapore (38)	197.58	−0.6	169.13	167.23	172.98	154.74	−0.6	2.30	198.78	170.01	168.44	174.19	155.68	208.25	151.63	167.55
South Africa (61)	246.87	+0.1	211.32	208.94	216.13	170.51	−0.5	3.21	246.68	210.97	209.02	216.16	171.44	258.85	173.00	171.45
Spain (53)	155.04	+0.8	132.71	131.23	135.74	123.97	+0.4	4.34	153.76	131.51	130.29	134.74	123.53	171.12	131.51	142.43
Sweden (25)	199.66	+0.2	170.91	169.00	174.81	180.97	−0.1	2.45	199.20	170.37	168.80	174.56	181.21	204.12	146.60	196.87
Switzerland (58)	95.36	+0.3	81.62	80.71	83.50	87.26	+0.2	2.21	95.09	81.33	80.58	83.34	87.07	100.67	82.17	95.05
United Kingdom (240)	182.90	−0.6	156.56	154.79	160.11	156.56	−0.5	4.73	184.00	157.37	155.90	161.22	157.37	187.44	156.27	158.97
USA (527)	155.51	−1.1	133.20	131.71	136.24	155.61	−1.1	3.12	157.35	134.57	133.33	137.89	157.35	161.02	125.95	127.73
Europe (827)	143.32	+0.1	122.68	121.31	125.48	124.66	+0.1	3.84	143.18	122.46	121.33	125.47	124.59	151.52	125.50	137.47
Nordic (109)	191.87	+0.4	164.24	162.40	167.98	165.26	+0.2	1.96	191.11	163.45	161.94	167.47	164.98	200.81	155.55	200.12
Pacific Basin (719)	132.94	+2.2	113.79	112.52	116.39	113.15	+2.1	1.10	130.13	111.30	110.27	114.04	110.86	145.92	117.86	132.42
Euro − Pacific (1546)	137.39	+1.3	117.61	116.28	120.28	118.49	+1.2	2.24	135.64	116.00	114.92	118.85	117.06	147.66	121.29	134.83
North America (641)	154.37	−1.1	132.14	130.67	135.17	152.69	−1.1	3.13	156.03	133.44	132.22	136.75	154.34	159.66	125.91	127.71
Europe Ex. UK (587)	119.90	+0.6	102.64	101.51	105.00	106.38	+0.5	3.16	119.14	101.90	100.97	104.42	105.86	129.80	103.58	123.58
Pacific Ex. Japan (245)	144.95	−0.1	124.08	122.71	126.92	127.69	−0.1	4.28	145.15	124.14	123.01	127.21	127.78	147.60	111.40	131.97
World Ex. US (1737)	139.18	+1.2	119.14	117.81	121.86	119.79	+1.1	2.29	137.51	117.61	116.53	120.50	118.45	148.16	122.32	135.21
World Ex. UK (2024)	139.96	+0.5	119.80	118.47	122.55	128.46	+0.4	2.33	139.30	119.14	118.04	122.08	127.95	145.77	120.06	128.89
World Ex. So. Af. (2203)	143.00	+0.4	122.41	121.05	125.21	130.75	+0.3	2.58	142.49	121.87	120.75	124.87	130.35	148.66	122.92	131.32
World Ex. Japan (1790)	151.39	−0.6	129.59	128.15	132.56	141.84	−0.6	3.44	152.25	130.21	129.02	133.43	142.69	162.83	126.69	132.44
The World Index (2264)	143.68	+0.4	122.99	121.62	125.80	131.10	+0.3	2.59	143.17	122.45	121.32	125.47	130.70	149.01	123.28	131.56

Constituent change 16/9/91: Name change: Universal Cable Hldgs. to Leader Universal Hldgs. (Malaysia). Latest prices were unavailable for this edition.

Japan keeps the world on an even keel

MARKETS IN PERSPECTIVE

	% change in local currency †				% change sterling †	% change in US $ †
	1 Week	4 Weeks	1 Year	Start of 1991	Start of 1991	Start of 1991
Austria	−2.31	+2.16	−10.71	+5.31	−3.96	−6.70
Belgium	−1.49	−2.48	−0.22	−11.24	−10.41	−0.92
Denmark	−0.74	−2.86	+7.84	+24.57	+23.33	+10.69
Finland	−3.46	−6.72	−10.00	−4.42	−2.36	−8.13
France	+0.90	+3.95	+13.01	+22.27	+20.86	+8.46
Germany	−0.74	−1.06	−0.86	+12.19	+10.99	−0.39
Ireland	+0.76	+1.26	+19.79	−22.53	−21.98	+9.47
Italy	−1.86	−3.69	−13.51	+3.73	−3.44	−7.16
Netherlands	−1.13	−0.78	+8.88	−19.25	−18.03	+5.93
Norway	−0.38	−2.62	−18.16	+11.95	−11.10	−0.29
Spain	−0.18	+0.87	+15.46	+22.05	−23.12	+10.49
Sweden	+3.22	+1.38	+7.39	+36.30	+39.53	+25.22
Switzerland	−0.02	−0.78	+13.00	+24.13	−19.47	+7.23
UK	−1.32	+0.70	+24.20	+23.01	+23.01	+9.86
EUROPE	−0.77	+0.27	+12.26	+19.44	+18.71	+6.53
Australia	−0.06	+0.28	+7.92	+24.40	+42.86	+28.21
Hong Kong	+0.07	−2.23	+30.29	+35.01	−51.43	+35.88
Japan	+1.44	+2.12	−3.42	+4.22	−17.64	+5.57
Malaysia	−2.44	−0.46	−3.79	−1.94	+7.10	−3.89
New Zealand	−0.67	−1.38	−17.62	+9.00	+20.88	+8.45
Singapore	−1.00	+4.01	+11.80	+21.27	−36.23	+24.05
Canada	−1.84	−2.77	+3.14	+2.95	+17.19	+5.17
USA	−1.46	−0.71	+21.12	+16.73	+30.07	+16.73
Mexico	+1.28	+9.10	+148.83	+116.62	+133.82	+109.83
South Africa	−0.49	−1.98	+15.88	+25.18	+50.42	+34.98
WORLD INDEX	−0.34	+0.41	+9.87	+13.42	+23.35	+10.69

† Based on September 13th 1991.

By Antonia Sharpe

AN ADVANCE in Tokyo last Friday offset weakness on Wall Street and ensured a steady world performance in a week dominated by interest rate movements.

According to the FT-Actuaries indices, the world index fell by 0.3 per cent in local currency terms, although excluding the US it would have risen by 0.3 per cent. Without Japan, the world index would have fallen by 1.1 per cent.

Japan finished the week 1.4 per cent higher as a rise on Friday, on hopes of lower interest rates, reversed an easier start to the week. Friday's advance was made all the more convincing by the leap in volume to 1.2bn shares, the first time above the 1bn level since February and almost triple Thursday's 430m shares.

Nomura International in London is optimistic about the stock market's short-term outlook. "The recent strength of the bond market and the subsequent easing of short-term rates should encourage some funds to be switched out of money market instruments into equities," the broker writes in its weekly review. It also points out that the stock market to date has failed to match the rally on the bond market and could quickly correct this anomaly.

However, the arrival of the long-awaited cut in US interest rates on Friday failed to give Wall Street the support it needed to keep the Dow Jones index above the important 3,000 level. On the FT-A indices, the US fell 1.5 per cent on the week, on worries about the outlook for third quarter corporate results.

Swiss Bank Corporation says the main risk for European equities is again coming from the US. The broker argues that, if investors find US bonds relatively unattractive, this could lead first to dollar weakness and then to rising bond yields. A weak dollar would make Europe's "dollar earners" less buoyant, while setbacks in US bonds would hardly be seen as positive news, especially if fears over the growth scene for 1992 are exacerbated.

Scandinavia provided the week's best and worst performers. Sweden climbed 3.2 per cent, boosted by favourable inflation data and hopes that last Sunday's general election would be won by the opposition conservative parties. The market, however, declined slightly yesterday after the centre-right coalition failed to win a clear majority.

Ms Taina Uljas, country analyst at Kleinwort Benson, attributes Finland's 3.5 per cent drop last week to devaluation fears, which have pushed three-month money market rates to more than 13 per cent from a level of 10.5 per cent only two weeks ago.

Investors are unwilling to return to the stock market until there are signs of progress in the current wage talks and the budget negotiations in parliament.

Ms Uljas believes that confidence on the Finnish bourse would get a much-needed boost if the opposition parties were to support the government's proposed budget, which calls for about FM10bn worth of savings. "If the opposition parties agree to the spending cuts, this will be a positive sign," she says.

EUROPE

Tax plans and privatisation talk enliven Paris

PARIS WAS enlivened by news and speculation about government plans for tax and privatisation, but it ended below the day's high on Wall Street's dull start. Stockholm was disappointed by election results while other bourses were flat, *writes Our Markets Staff.*

PARIS was unable to hold on to early gains, as the CAC 40 index fell from 1,887.56 to close at 1,878.26, up 2.07. Turnover was moderate at FFr2bn, down from FFr3.7bn. News of government plans to cut corporation tax had been expected, said one dealer, but reports of an increase in capital gains tax produced some wariness.

Speculation that Pechiney International could be the first state-controlled company to be partially privatised pushed it up FFr13.50 or 8.1 per cent to FFr181 in volume of 319,400 shares, after a report in les Echos, the business newspaper. Investment certificates in Rhône-Poulenc, another candidate, rose FFr10.30 to FFr433.30 with 108,900 exchanged.

Some blue chips fell prey to profit-taking before the end of the trading account this week, while others attracted demand after recent weakness. Accor, the hotels group, gained FFr15 to FFr820.

Department stores remained volatile. BHV, owned by Nouvelles Galeries, rose FFr22 or 3 per cent to FFr762 on expectations of good interim results. Galeries Lafayette, which controls Nouvelles Galeries, rose FFr47 or 3 per cent to FFr1,637.

STOCKHOLM was disappointed that the opposition centre-right coalition had failed to gain an expected majority in Sunday's general election. The *Affärsvärlden* General index fell 8.50 to 1,081.0 in turnover of SKr311m, down from SKr523m.

Skandia free shares rose SKr5 to SKr198 after the bourse said that two block trades equalling 2.6 per cent of the share capital had changed hands at SKr200 a share. But the stock later closed at SKr189, down SKr4. There has been speculation recently that SE-Banken will not exercise its option to buy 28 per cent of Skandia at an indexed price that analysts estimate has reached SKr245 a share. Skandia has expressed its opposition to SE-Banken's advances.

FRANKFURT failed to respond to general or specific stimuli. There was little reaction when the Frankfurt bourse insider trading commission cleared three Deutsche Bank securities officials and a television journalist from insider trading suspicions. After an 0.80 decline to 677.30 in the FAZ index in midsession, the DAX closed 7.87 lower at 1,629.75 in turnover down from DM4.3bn to DM3.5bn.

In insurers, AMB fell DM20 to DM825. AGF, the French insurer, recently confirmed that it had acquired a 15 per cent stake in AMB over the past 18 months. Allianz gained DM35 to DM2,030 in a technical recovery.

Older stories were more effective. Siemens ended another DM7.10 lower at DM643.90 for a three-day loss of DM18.10, on last Thursday's reports of a DM1bn loss at its Siemens-Nixdorf Information Systems division.

In steels, Deutsche Bank's denial that it had been buying Hoesch shares to deflect a foreign takeover left Hoesch DM1 higher at DM303.50. In the same sector, Mannesmann dropped DM4.80 to DM273 and Thyssen DM3.70 to DM241.30.

In cars, Daimler Benz fell DM8.50 to DM737 while Porsche fell DM4 to DM715. Mercedes-Benz chairman Mr Werner Niefer reportedly told Austrian state radio that his company is thinking about taking a stake in Porsche.

MILAN closed the September trading account on a weak note. The Comit index fell 2.63 to 541.61 in volume estimated at L100bn, boosted by end-account transactions after last Friday's L95bn.

Fiat dropped L87 or 1.6 per cent to L5,403. The car company's UK tractor manufacturing unit, Ford New Holland, announced 750 job cuts from a total workforce of 3,000. Olivetti, the computer company, slid L102 or 3.2 per cent to L3,080. Generali, the insurer, which launches its L1.75 trillion capital increase today, fell L200 to L29,300.

AMSTERDAM saw continued buying interest in the publisher, Elsevier, in the wake of the company's presentation in London last week, at which the management expressed optimism over next year's outlook. The stock added Fl 1.60 to Fl 90.30 on foreign and domestic buying.

The CBS tendency index fell 0.2 to 92.1. The government is due to present its budget today, but this is not expected to contain any surprises. Royal Dutch went ex a dividend of Fl 3.45, but closed only a net 95 cents lower at Fl 153.10.

ZURICH fell in very thin trading, the Crédit Suisse index losing 5.1 to 526.3 with Nestlé bearers, the most active stock, SFr80 lower at SFr8,320 and Ciba-Geigy bearers, a recent front-runner in the health and household sector, falling SFr50 to SAFr3,170.

ISTANBUL bounced off its lowest level this year. The 75-share index ended at 2,863.72, up 51.83 or 1.8 per cent.

FT-SE Eurotrack 100 - Sep 16							
Hourly changes							
Open	10 am	11 am	Noon	1 pm	2 pm	3 pm	Close
1113.76	1115.12	1115.16	1113.69	1113.24	1112.60	1111.82	1111.95
Day's High 1115.58				Day's Low 1111.27			

Sep 13	Sep 12	Sep 11	Sep 10	Sep 9
1116.74	1117.77	1111.14	1112.84	1116.88

Base value 1000 (26/10/90).

SOUTH AFRICA

JOHANNESBURG was held back by a strong financial rand, following the signing of a multi-party peace accord. The all-gold index fell 11 to 1,108 while the industrial index lost 6 to 4,203. The all-share index slipped 8 to 3,396.

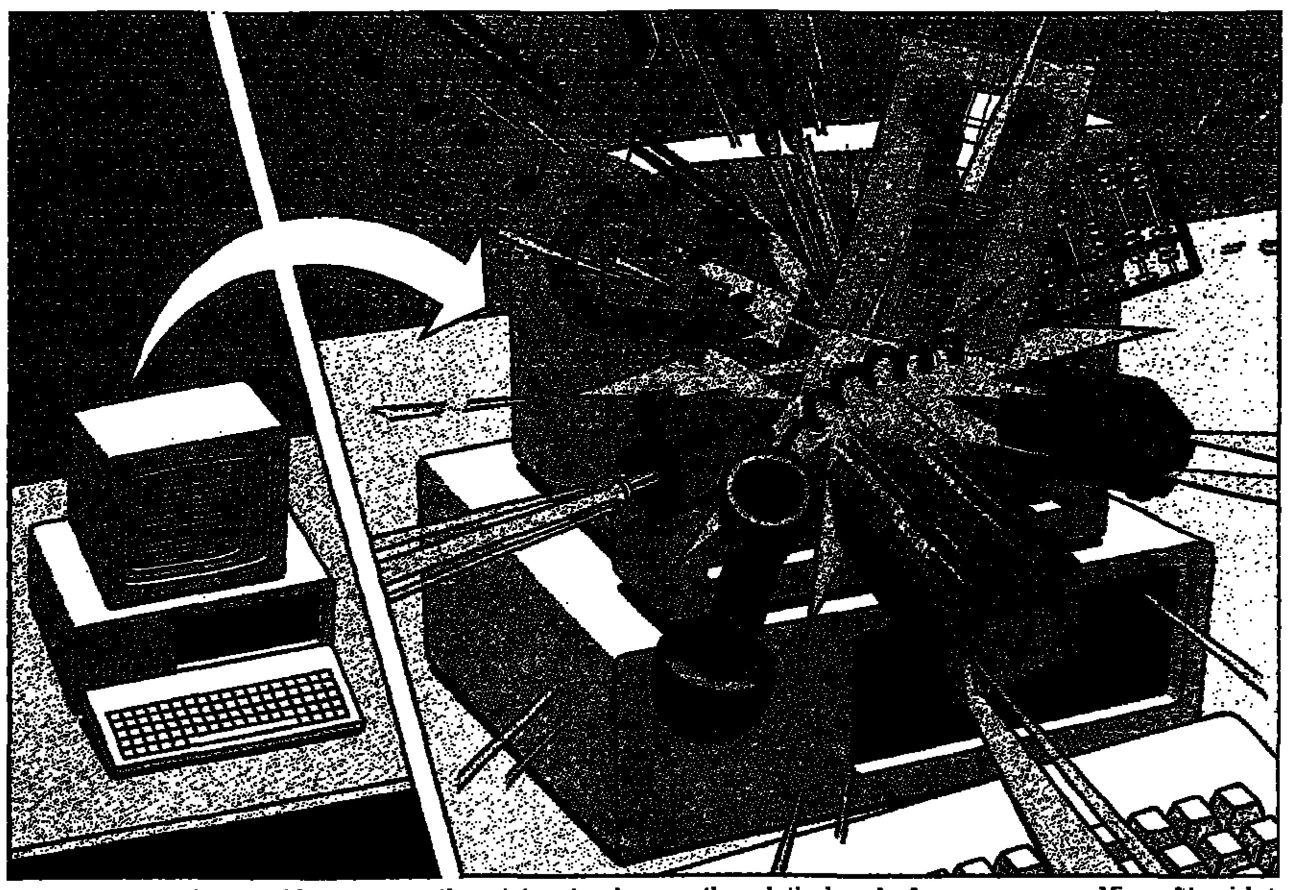
FINANCIAL TIMES SURVEY

PERSONAL COMPUTERS & SOFTWARE

Tuesday September 17 1991

After several years of exuberant growth, sales of personal computers are slowing. Now the PC market is looking for regeneration. Multimedia may provide the spark. **Alan Cane** reviews progress in the evolution of today's single most influential business technology

Waiting for the explosion



ONE event above all others brought some colour into what has been a grey year for the personal computer business: Apple Computer, the founder of the modern PC industry, and International Business Machines, the world leader in PCs, agreed to collaborate in business and technology.

The surprise could not have been greater if David and Goliath had agreed to work together to research and develop the slingshot market.

In the 10 years IBM has been in the PC business, the two companies have been bitter rivals. Their approaches to personal computing have been directly opposed. IBM has made its machines the business standard, offering PCs suited to commercial data processing.

The idiosyncrastic Apple Macintosh machine, on the other hand, with its "wimp" (windows, icons, mice; pull down menus) interface,was designed for easy use by non-specialists.

Now they are joining hands to attempt to define the future of personal computing. The agreement covers four areas: joint creation of a new, object-orientated operating system, shoehorning IBM's high-speed risc microprocessors into Apple PCs, helping Apple to sell its PCs in IBM accounts, and setting jointly a global standard for multimedia computing.

Further details of the new alliance are vague. The distinguished US commentator Stewart Alsop noted in a recent issue of his newsletter*: "It may well be that what is left unsaid is left that way because the new partners have no idea themselves about what they are trying to accomplish. The result is that it is almost impossible to say anything intelligent about the impact of the deal on either company or the industry."

But what the "Purple Alliance", as Alsop calls it, has done is to place a spotlight on some important trends in the industry.

- The threats to established players from an explosion of new technologies at a time of stagnant sales;
- The blurring of the line between PCs and midrange computers;
- The importance of object-oriented software techniques;
- The emergence of multimedia as a potential source of new growth in the industry.

First, the state of the industry. Times are tough in the PC business. The recession in the US, UK and other parts of the developed world has knocked much of the stuffing out of an industry hitherto noted for its ability to maintain rates of growth ambitious by any standard.

Even Compaq, the US manufacturer of high performance PCs, found its previously unchecked growth curve turning down this year. Apple Computer's results suffered from its decision to sell lower margin products than in the past. The result is that the US market, the dynamo for growth in earlier years, is flat. IDC, the market research consultancy, estimates the US PC market will grow only 0.3 per cent this year and 4.3 per cent in 1992. Europe is little better, with the UK the blackest spot, while Germany still enjoys something of a boom.

Price cutting is rampant. Dell Computer, one of the most innovative of the new suppliers, recently cut its already low prices by up to a quarter. The price of a Dell notebook computer, for example, went down from £2,349 to £1,799.

The recession is to some extent masking much more fundamental changes in the PC business. There are signs the market is becoming saturated. Estimates are that within two to three years, replacement machines will represent 70 per cent of sales compared to about 40 per cent at present.

There are also signs that business customers are becoming disappointed with the results of investment in PCs. The machines have improved massively in power, with successive generations of processor chips, but software to take advantage of the new power has been slow in emerging.

Both Apple and IBM face fierce threats from competitors offering lookalike technologies. Apple, for example, this year faced the greatest threat to its proprietary Macintosh technology through the launch of special systems software from Microsoft called Windows 3 which duplicates much of the look and feel of Apple's graphical interface. Windows 3 has been hugely successful, partly due to Microsoft's decision to sell it at under £100 to capture market share.

Apple came back with a new and more powerful version of its own operating system, System 7. For the moment, however, Apple's position in its key markets, especially desktop publishing, seems secure through the quality and comprehensiveness of its software support – "the best set of personal productivity applications in existence", as one commentator put it.

Operating systems, however, remain a source of controversy in the industry. This year there was a considerable cooling in the relationship between IBM and Microsoft, which supplies both its DOS and OS/2 PC operating systems. The apparent cause was Microsoft's wish to concentrate its efforts on its operating system DOS version 5 coupled with Windows 3, rather than OS/2.

For the moment, anyway. Industry experts agree that the combination of Intel microprocessors and Microsoft operating systems, which have characterised the industry to date, is coming to an end.

The line between PCs, workstations and midrange computers is becoming blurred. Networks of PCs are encroaching on territories occupied by minicomputers and small mainframes. Palm top computers of the kind developed by Poquet and Hewlett Packard of the US and Psion of the UK, and notebook computers, may well emerge as the "personal" computers of the future.

Desktop machines will be linked together in networks, driven by powerful network "servers" – suppliers of data or computational power.

A variety of operating systems will be available, including Microsoft's new Windows NT, Sun Microsystem's Solaris, the new development from IBM and Apple, and developments of Unix from the Santa Cruz Operation (SCO). The aim will be to tie PCs and more powerful machines together in seamless networks.

None of this suggests that customers will find it any easier to make decisions either about technology or about product strategies. Increasingly they will be dependent on the "channel" – the dealers, retailers, value added resellers and software houses responsible for distributing some 80-90 per cent of PCs to customers. Channel differentiation is already apparent. Compaq will this year for the first time ask for a high level of expertise from dealers selling certain products.

The fact remains that computer users and the PC industry itself are waiting for a breakthrough in software to generate fresh sales and new excitement in a stagnant industry. The original Visicalc spreadsheet is credited with popularising the Apple II, Lotus 1-2-3 with the success of the IBM PC.

What will create mass markets for the hugely powerful PCs of the middle 1990s? Hopes for artificial intelligence were dashed when expert systems, a way of combining computer power and human expertise in an automated assistant, found only niche markets in commercial companies.

Much is being made at present of multimedia, the combination of sound, video, text, graphics, animation and computer power on a PC coupled with facility for the operator to interact with the information contained on the system.

Multimedia has the capacity to generate new PC markets, but it has hurdles of cost, standards, education and technology to overcome before it becomes a genuine contender for the role of the Lotus 1-2-3 of the 1990s.

**PC Letter, Industry Publishing Company Inc, 301 Island Parkway, Belmont, California, tel 415-592 8880. Available in Europe from Parkway Gordon, 2 Queen Street, Henley on Thames, RG9 1AP, tel 0491-578188.*

IN THIS SURVEY

INTERNATIONAL REVIEW:

- **Western Europe:** Too lucrative to let go ..... Page 2
- **North America:** The new user is the holy grail ..... Page 2

INDUSTRY ISSUES:

- **Monopolising the market:** The frontrunners are fast losing ground ..... Page 4
- ***Which platform?*** A standards crisis looms large ..... Page 4
- **The channel dilemma:** Only the fittest survive in the marketing jungle ..... Page 5
- **Security issues:** An enemy without, an enemy within ..... Page 5

THE TECHNOLOGICAL OUTLOOK

- **High performance chips:** There's ever more power – but where is it all going? ..... Page 2
- **Image processing:** Pictures on the small screen ..... Page 6
- **Multimedia:** The all-singing, all-dancing PCs ..... Page 6

SOFTWARE ISSUES

- **Networking:** Multiple technologies, big costs ..... Page 7
- **Groupware:** The global office is just a network away ..... Page 7

LATEST DEVELOPMENTS

- **Portable computers:** It's the big shake-out ..... Page 8
- **Modems:** The doom merchants spoke too soon ..... Page 8

Illustration: *Robin MacFarlan*
Editorial Production: *Heather Parker*

PERSONAL COMPUTERS & SOFTWARE 2

NORTH AMERICA

New user is the holy grail

"DEAD in the water!" is the way John Sculley, chairman of Apple Computer, recently described the US PC market. Sales are stagnant, prices are tumbling and the future is clouded with uncertainties.

The recession that has gripped the US economy for the past year has taken its toll throughout the computer business, but the PC sector has been particularly hard hit. The *double digit sales growth of* past years has come to a grinding halt.

In efforts to boost demand and build market share, leading PC manufacturers, including IBM, Apple Computer and Compaq Computer, have slashed prices by as much as 40 per cent. Competitors, however, have followed suit, creating a "price war" that has pared profits throughout the industry.

While the economy has played its part in the slowdown, turmoil in the distribution channel – the dealers and resellers who deliver most PCs to end users – is making matters much worse. In the past few months, eight of the top PC distributors in the US have been involved in mergers or acquisitions. ComputerLand bought Nynex Business Centers, CompuCom purchased Computer Factory, and Inacomp Computers announced it will merge with Valcom to form InaCom.

Last month, JWP, a New York technical-services company that has built a big PC business through acquisitions, completed its purchase of Businessland, once the largest PC distributor in the country but recently plagued with heavy losses.

Businessland's problems illustrate those of the industry. Founded in 1982, Businessland rapidly built up a nationwide chain of computer stores, winning purchase contracts from businesses to which it offered training and support services as well as hardware and software.

Over recent years, however, many large corporate customers have shifted their purchases to no-frills dealers such as JWP, while smaller businesses and individuals increasingly buy from discount "super- stores". *Other customers* bought directly from manufacturers such as Dell Computer that sell by mail order.

The standard PC has become a "commodity" product and price has become the primary differentiating factor. Businessland, and several other computer chains, failed to adapt to changing market conditions quickly enough.

The standard PC has become a "commodity"; price has become the differentiating factor

PC manufacturers heavily dependent on independent dealers have been seriously affected by the wave of consolidation. As dealers combine their existing stocks, they are delaying new orders.

Compaq Computer's latest financial results provide stark evidence of the impact of volatility in the distribution channel; it reported the poorest quarterly results in the company's history, with earnings down 81 per cent at $20.3m and sales down 17 per cent at $718m for its second quarter. The company's US revenues dropped 36 per cent compared with the same period last year.

Compaq was hardly alone in reporting dismal results this summer. Apple Computer lost $53.1m in its third quarter ended June 30, after writing off the $224m cost of restructuring operations to prepare for slower growth. Apple's sales rose 12 per cent to $1.52m.

Industry analysts say that it may be well into next year before US PC makers' financial results begin to improve. While the current problems of excess inventory in the US distribution channel may be short-lived, and the economy eventually improve, there is an underlying weakness in the market.

The US market for desktop personal computers is maturing. More than half of the machines sold to businesses over the past year have been used to replace older models, but corporate buyers are increasingly sceptical about the advantages of the latest higher performance, higher-priced PCs.

The education market, once the stronghold of Apple Computer, is increasingly fragmented and has suffered as a consequence of school budget cuts.

The growth of PC sales has slowed in each of the last three years – from 34 per cent in 1988 to 10 per cent last year, when US sales reached $23.7bn, according to Dataquest.

It predicts unit sales of PCs will decline an average 6.9 per cent a year through to 1995.

An exception to this decline is the lightweight "notebook" computer. Many observers predict white-hot growth for notebooks for the next few years. Analysts at Hambrecht & Quist, the San Francisco investment banking group, expect 1991 sales to top 1m units, with the notebook market maintaining 50 per cent annual growth. BIS Strategic Decisions of Massachusetts projects that notebook computer sales will rise to $4.7bn by 1995.

Most notebook computers are bought by individuals who are already regular users of desktop computers. But the big challenge for the industry is to create products that will attract new computer users. By blending computer and video technology, computer makers *hope to breath new life into the* home computer market, which has been in the doldrums for the past four years.

One of the most promising developments is the "pen-based" computer, in which the keyboard is replaced by a tablet upon which the user can write. This emerging product is expected to blossom into a 1.5m unit market by the mid-1990s.

The industry is also looking beyond the hardware and software standards that have dominated the market for the past decade. Compaq Computer, Digital Equipment, Microsoft and Mips Computer are leading the "Ace Initiative" to establish a new set of standards for the next generation of PCs as well as larger computers.

IBM and Apple Computer have joined forces in an effort to create a new "open systems platform" based on object-oriented software, which greatly simplifies the process of developing new applications.

That is critical if the PC market is to regain the excitement of the 1980s. Manufacturers and industry analysts maintain that what the PC industry urgently needs are compelling new applications that will create new demand just as the emergence of spreadsheet programs and desktop publishing programs did in the past.

Louise Kehoe

WESTERN EUROPE

Too lucrative to let go

THE European PC market is dominated by US and Asian producers, but PCs remain a critically important source of revenue to European-based manufacturers, writes Alan Cane.

Groupe Bull of France, for example, paid some $500m for the PC operations of Zenith Electronics of the US in 1989 in an effort to strengthen its hand in PCs. A heavy loss maker in the past couple of years, Bull has put in place a recovery plan which underlines the importance of the PC business.

Within three years, up to 40 per cent of Bull's sales are expected to come from Zenith, compared with only 20 per cent at present.

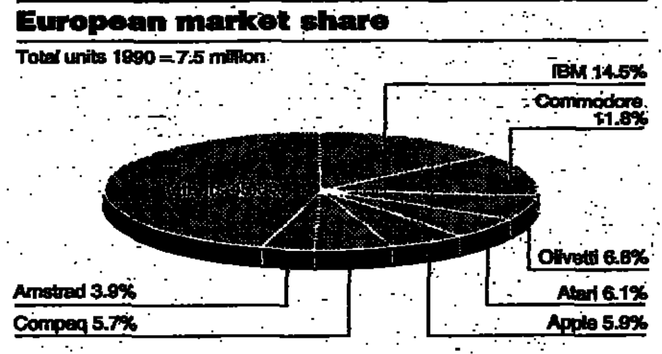
As another example, Philips of the Netherlands retained its PC operations when it sold its loss-making information systems division to Digital Equipment of the US earlier this year. The PC division will be managed within Philips' successful consumer electronics section – an indication of the extent to which PCs have become commodity products. Philips has invested heavily in a new technology called *multi*media which combined PCs and compact disc players; expertise in PC technology is essential to its development.

According to a new report from the newsletter Electronics Europe, Europe will probably become the world's best market for business multimedia applications, and Philips has a world lead through its development of interactive compact disk technology.

Then there is International Computers of the UK, now owned by Fujitsu of Japan, which bought Nokia Data of Finland earlier this year, thus more than doubling its output of PCs. According to Mr Peter Bonfield, ICL chairman and chief executive: "PCs are now a key part of ICL's business. They contribute 15 per cent of ICL's overall revenue, some £250m, with sales expected to increase significantly for the foreseeable future."

European market share

Total units 1990 = 7.5 million



Source: Dataquest

Last month, ICL announced a £4.6m contract for 1,500 PCs by three regional banks in the French Crédit Agricole banking group, as well as a contract worth £7m over 12 months by British Gas.

The European market for PCs, together with peripherals and software, is worth about £30bn a year. There are still significant opportunities for growth, and the overall market is growing at between 10 and 20 per cent a year. Mr David Hooker, who manages ICL's PC business, says the company is forecasting 57 per cent growth in sales this year, boosted, he thinks, by the strategy of selling PCs based on the latest microprocessor technology at the price of the preceding generation; and its ability to provide a high level of support to companies setting up complex computer networks.

Olivetti, barely profitable at present as an information technology company is Europe's *most successful indigenous* PC manufacturer. Its share of the market, however, has fallen from more than 11 per cent in 1987 to about 6.8 per cent in 1990. This includes sales made by Acorn, Olivetti's UK subsidiary, which specialises in the education market.

PCs are marketed by both Olivetti Office and Olivetti Systems and Networks (OSN), two of the company's four big marketing divisions. The range includes low end machines intended chiefly for the home market, professional office computers and high performance workstations.

A significant success for Olivetti has been its agreement to supply Digital Equipment of the US with desktop machines for sale in Europe and portable computers for sale worldwide.

Dr Kevin Brau, analyst with Credit Suisse First Boston in London, warns, nevertheless, that Olivetti has some long-term problems in the PC area: "At the high end, Olivetti PCs are not taken seriously enough by PC dealers or their customers. From a technological and quality standpoint, this may be unjust, but altering that perception will require imagination."

On the other hand, Olivetti is aiming for 10 per cent of the European market for PCs by the end of this year. The portable market is increasing at a compound annual growth rate of about 44 per cent, according to Dataquest, but it is a market *dominated by Toshiba* and, to a lesser extent, Compaq, and Olivetti has a battle on its hands.

Amstrad, the pioneer of low-cost professional computers in Europe, is suffering from an image problem. Although its *latest range of PCs is* technically excellent, quality problems with an earlier range hurt its reputation; furthermore it no longer has the price advantage of earlier years. Amstrad computers are cheap, but no longer spectacularly so, compared with other suppliers.

Mr Ray Sangster, Zenith vice president for Northern Europe, says that to stay in business, a European PC company must ensure *that it has*:

■ Access to the right technology. In practice this means establishing a strong relationship with chip manufacturers and software suppliers.

■ Established joint ventures. No company can do everything, and with product cycles now as short as 18 months, the successful manufacturer has to be on top of the trends.

■ Joined the right consortia. Industry standards are being set by lobbies like the ACE (Advanced Computing Environment) group. Most makers hedge their bets by joining them all.

■ Channel control – a good relationship with the dealers, distributors and value added resellers who are responsible for almost all PC sales these days. Traditionally, battles for dealers' favours have been fought out over discounts, but Mr Sangster detects a new trend in Europe. As the larger *dealers face* up to *higher* overheads forced on them by the need to provide greater support for their customers, they are looking for discount levels based on a more sophisticated criterion than simple sales volume. *The suggestion is there* should be a base discount augmented by extra points for the level of expertise the dealer can display. At the end, a mere 2½ or 3 points would be added on for volume.

EASTERN EUROPE

PERSONAL computers helped end the Soviet putsch. The limited numbers of PCs in the former *Soviet* Union – estimated at between 500,000 and 750,000 – kept citizens throughout the former union informed during the crisis, *writes Paul Abrahams*.

But now PCs are needed to save the revolution. The states that formed the USSR are desperately short of computers to manage their economies.

The pent-up demand for computers in the former Soviet bloc is immense, says Mr Tom Byrne of Marine Computer Systems, a joint venture between ICL of UK, the USSR Merchant Marine Ministry and the civic domestic consumer service board of Leningrad city council.

He says the shortage of computers can be explained partly by the restrictions placed on the export of strategic materials imposed by the Co-ordinating Committee for Multilateral Export Controls (Cocom). This was established in 1949 to curb the export to the Soviet Union and its allies of goods which could be used for military purposes.

Until recently, Cocom forbade the export of even low-powered PCs with 286 chips. As a consequence, there are a large number of software writers in the former Soviet countries capable of writing extremely tight code.

Most of the future demand in the former USSR is likely to come from the state rather than individuals, says Mr Byrne. A standard 286 machine, he points out, costs about 80 times the average monthly salary.

The main constriction on a potentially explosive growth is the absence of a convertible rouble: all trading in computers is transacted in hard currency. The telecommunications infrastructure is also pitiful, with insufficient capacity and poor line quality.

Companies such as ICL, Dec, IBM and Olivetti, meanwhile, are positioning themselves to exploit what may one day become an enormous market.

David Madden on high-performance chips

Ever more power

NEXT year Intel expects to release a new generation of PC microprocessors. These 80586 chips will cram some 3 million transistors on a single device, and will run at 100 MHz – 10 times faster than the Intel chip *powering IBM's original* PC.

Today you can buy a PC, Dells 450DE for example, powered by Intel's 80486 microprocessor running at 50 MHz, 50 per cent faster than the 33 mgh 80486s on the market. Again, in 1992 we will *see an 80486 running* at 66mgz, half as fast again.

In all, says Ian Wilson, Intel UK's technical marketing manager, Intel expect to be able to double microprocessor performance every two years up to the end of the decade.

The question confronting PC systems builders – and their buyers and users too – is why? What is this power for?

The pace of development of microprocessor technology is awesome. For users, the phenomenon has an air of unreality – we'd all love a 7-series BMW if we could afford one, but what is the point of a vehicle that can do 160 mph if the speed limit is 70? In personal computing, the "speed restriction" comes from operating systems and application software.

Diran Kazandjian, technical director of Viglen, one of the UK's last indigenous PC makers, applauds the inexorable integration of chip technology, but he says the pace of this change, not just of microprocessors but of support chips too, is such that it is impossi*ble to know when to freeze* design and when to actually build a computer.

There are implications for users too. Richard Owen, work station manager for Hewlett Packard UK, observes that "at *the moment the desktop is a* little over-powered. Most people are still running DOS software and that simply doesn't exploit the processor power. A 386 is more than good enough."

Even with window environ*ments, the individual applica*tions are invariably DOS-based. IBC, *too*, concedes that software development is still in the dark ages compared with microprocessor technology.

This goes some way to explaining the low pick-up of 486 based machines – although the power glut has been compounded by supply delays. Andy Bull-Lewis of IDC, the research group, says 486s will constitute no more than 2 per cent of PC shipments this year, or around 4 per cent of shipment value.

The fact is that while 386 and 486 are 32-bit chips, DOS is a 16-bit operating system written more than a decade ago for a simple processor.

Of course the situation is changing. IBM argues that microsoft windows, for example, need 386 power to work well, and it is clear that most of the 486s that have been bought are either supporting genuinely power hungry applications such as CAD, or in networks as servers.

This illustrates two important developments. First, as IBM points out, the software environments of the near *future will exploit – and in* their turn demand – desktop power. This is the key to computers becoming more usable, IBM says, and advanced graphical interfaces and speech recognition and synthesis techniques, for example, will take up the power slack.

Secondly, the world work stations and PCs are coming together. Intel argues that the future of the PC computer lies with the enterprise-wide network. "Desktop computing is supporting more complex *organisation and more sophis*ticated applications. Client server networks are widespread – and that all points to more CPU horsepower," says Ian Wilson.

Interesting, Motorola, Intel's *long time microprocessor* rival, offers much the same interpretation. "The trend is clearly to heterogenous enterprise networks. The world is moving to open systems, to inter-operability driven by standards rather *than clones," says Gordon* Stubberfield, Motorola computer systems UK marketing manager.

If this differs from Intel's view, it is in the fact that Intel is driven by the need to protect *investment in the DOS PC* base, paradoxically its greatest asset, through compatibility. Motorala's argument is that ultimately what users have on the desk's top, as a window on to the network, could as easily be a Mac, an *ex-terminal or a* work station as a conventional PC.

The other complication is that it is bringing a Risc into competition with Intel's complex CISC technology for the first time. "The real challenge for the desktop will come from Risc processors as they come down steadily in price," says Richard Owen.

Certainly, Risc, which trades complexity for streamlined operations, is a hyper active sector.

HP-PA, IBM RIOS, MIPS and their like promise to deliver thumping processing price performance – and may well outstrip the potential of CISC technology in the long run.

IBM and Apple will be designing their operating system for a Risc machine; Microsoft, it seems, intends to put MS DOS on on Intel platforms; and Intel points out that all the desktop operating systems in development, such as the next SCO units or Windows NT, will run on Intel platforms. Conclusively, the Intel 586 will be a Risc-type super scaler chip.

"The debate of the 90s will be which operating system to choose – not which processors," Mr Wilson says.

PERSONAL COMPUTERS & SOFTWARE 4

A virtual monopoly is being challenged, writes **Louise Kehoe**

Frontrunners fast losing ground

TEN years ago IBM selected an Intel microprocessor and Microsoft software for its first PC product, thereby anointing the two West Coast companies as primary suppliers to the entire PC industry.

An estimated 60m PCs containing Intel chips and controlled by Microsoft software have been sold in the past decade.

*Today, however, both companies are facing anti-trust investigations by the US Federal Trade Commission, and Intel has additionally been charged with anti-competitive practices in private lawsuits filed by two competitors. While the FTC has not revealed the basis for either investigation, and no charges have been filed against the companies, it appears concerns have been prompted by Intel and Microsoft's virtual monopolies as suppliers to the $90bn PC market.

Microsoft's MS-DOS operating system and Intel's X86 microprocessors are critical elements of "standard" IBM-compatible PCs manufactured by dozens of US, European and Asian companies.

Ironically, the spectre of anti-trust complaints against the semiconductor and software companies has arisen just as both companies are facing serious competition. Intel, long the sole supplier of microprocessor chips to almost all PC manufacturers (with the exception of Apple Computer in the US, and NEC in Japan), is facing competition from rival chip makers, including Advanced Micro Devices, that have *"cloned" its popular microprocessors and related chips.

Potentially more threatening, however, are computer industry alliances that could bypass Intel microprocessor chips to create new "standard platforms" for the next generation of PCs. IBM and Apple, for example, have joined forces to co-develop new PCs to be based upon an IBM RISC (Reduced Instruction Set Computing) microprocessor chip, dubbed the Power PC chip, rather than upon Intel chips.

An industry consortium, led by Compaq Computer, MIPs Computer, Digital Equipment and Microsoft, and backed by some 60 hardware and software companies, has also set out to establish a new "standard platform" for the next generation of PCs.

The Advanced Computing Environment (ACE) group has chosen two brands of microprocessors as the standard "platforms" for future products – Intel's microprocessors and rival devices developed by MIPs Computer.

It is clear, however, that the initial focus of members of the group will be upon developing PCs based on MIPs' chips, *rather than on the current* standard Intel devices.

Intel and Microsoft are facing legal and competitive challenges

In the meantime, Intel faces a potentially serious legal challenge from rival chipmaker Advanced Micro Devices, which last month filed a $2bn lawsuit against Intel charging the company with anti-trust violations.

In its lawsuit, AMD claims that Intel has deliberately attempted to limit competition in the market for microprocessors by "keeping AMD out of the business and refusing to sell 80386 microprocessors to customers unless they also purchased other products from Intel".

AMD also claims that Intel conspired with certain computer manufacturers and distributors of computer components to induce these firms to refuse to deal with AMD, to tie purchase of other Intel products to sales of 80386 microprocessors and to limit the sales and supplies of 80386 microprocessors to competing original equipment manufacturers.

Intel has dismissed the AMD lawsuit as "ridiculous", but the case casts a cloud over Intel's future that could affect its ability to maintain a dominant position in the microprocessor market. Industry analysts speculate that AMD may also have provided the FTC with information for its anti-trust investigation of Intel.

Another vocal critic of Intel is Cyrix, a small Texas-based semiconductor company, that has also filed an anti-trust suit against Intel.

Intel remains confident, however, that it will receive a "clean bill of health" from the FTC. Intel claims it is "meticulous" in adhering to anti-trust regulations. "Given Intel's position as a key supplier of components to the computer industry, we've long had an aggressive programme in place to make sure that our business practices deal fairly and equitably with our customers and are in compliance with anti-trust laws," says Thomas Dunlap, Intel vice president and general counsel.

Similarly, Microsoft, the world's largest computer software company, also under investigation by the FTC, denies any wrongdoing. "I don't believe we are doing anything illegal or unethical," insists Mike Hallman, Microsoft president. The FTC has not raised any specific charges, he points out.

With 1990 revenues of $1.18bn, Microsoft dominates the market for programs that run on PCs. Yet within the software industry, Microsoft's success is resented. Competitors charge that Microsoft uses "bully tactics" to expand its dominant position.

The FTC has told Microsoft that it is conducting a broad anti-trust investigation into "third-party allegations that the company has monopolised or has attempted to monopolise the market for operating systems, operating environments, computer software and computer peripherals for personal computers". Like Intel, however, Microsoft is facing significant challenges. The software company's relationships with leading PC manufacturers are strained, and competition from Unix, an AT&T computer operating system, threatens Microsoft's role as the primary supplier of systems software in the market for microprocessor-based computers.

It is, however, the deterioration of Microsoft's relationship with IBM that is gaining most attention within the industry. The long-time allies now acknowledge differences of opinion over the direction of PC software. While Microsoft is promoting its "Windows" program, in combination with DOS, as the operating software of choice for most PC users, IBM is firmly committed to a new generation of software based on OS/2, an operating system that the two companies developed together.

Microsoft is also embroiled in a drawn-out legal battle with Apple Computer over alleged copyright infringement of Apple's Macintosh software. Apple and IBM appear to have excluded Microsoft from their joint efforts to develop software for the next generation of PCs.

Intel and Microsoft will undoubtedly continue to play a central role in the PC industry of the 1990s, but the virtual monopolies these companies have enjoyed for the past decade may be short-lived in the face of legal and competitive challenges.

Top sellers worldwide
Ranked by unit shipments

	1989						1990
	US	Western Europe	Japan	Rest of World	Worldwide	Share	Share
IBM	1,544,000	940,795	107,320	209,000	2,801,115	13.0%	12.0%
Commodore	295,000	1,040,720	5,000	128,000	1,468,720	6.8%	6.4%
Apple	980,100	291,210	45,000	125,000	1,441,310	6.7%	7.2%
NEC	225,375	0	880,500	42,000	1,147,875	5.7%	5.7%
Amstrad	67,200	698,660	0	55,000	820,860	3.8%	n.a.
Compaq	400,000	285,515	11,000	58,000	754,515	3.5%	3.7%

Source: International Data Corporation

George Black looks ahead and sees an echo of the bad old days

Standards crisis looms up

THE operating system standard is set to present PC users and software developers with a new set of problems.

MS/DOS, the system which has been the standard platform for applications on the IBM PC and its lookalikes ("clones"), will soon go into decline. It will probably reach its peak of popularity in 1993, but thereafter will yield ground rapidly to Unix and OS/2.

MS/DOS will make up more than 70 per cent of sales of PC operating systems and graphical user interfaces (GUIs) in Europe this year, with Unix and OS/2 holding only minimal shares.

By 1996, however, the proportion of MS/DOS will fall to about a third, while Unix and OS/2 will each take about 10 per cent, according to IDC, the market research organisation. Meanwhile, the Apple's proprietary Macintosh system is also gaining supporters.

The result of this will be confusion among users and developers on a scale which has not been seen for a decade.

Whatever the disadvantages of the IBM PC, it established an indisputable standard in the form of Microsoft's MS/DOS for most of a decade. This removed most of the worries about incompatibility that troubled the computing business at the beginning of the 1960s.

But MS/DOS is becoming outdated because it was designed for the standalone PC market, which is giving way to networks. A networked environment needs an operating system which can easily handle multi-user and multi-tasking situations. Troubles over the transition from 16-bit to 32-bit programming might echo those in the transition from 6-bit to 16-bit.

Technical conflicts are complicated by the struggle for power between IBM and Microsoft. The essential issue between the two is that Microsoft's interest lies in getting its software on to as many different makes of PC as possible, whereas IBM's lies in denying the market to the clones.

The main competitors with MS/DOS will be IBM's OS/2 and Unix, the open system that originated from AT&T and has made a big impact in the mid-range and workstation sectors.

MS/DOS's life has been extended by a series of mishaps to both Unix and OS/2. The former was slow to take off because several different versions were competing; the latter was affected by technical problems and the clash between Microsoft and IBM.

MS/DOS has also been regenerated by Microsoft's GUI – called Windows 3 – which has been very successful in the last 18 months.

However, the launch of a 32-bit portable version of Windows, known as Windows New Technology, scheduled for next summer, may push users from MS/DOS towards OS/2.

Microsoft's intentions for Windows have been the subject of controversy and remain unclear. There have been doubts about plans to make Windows New Technology compatible at the binary code level with OS/2 and thus provide a migration path from Windows 3 to OS/2.

Whether it decides to introduce that compatibility may depend on the success of OS/2. IBM has stated its intention to make OS/2 a standard on a par with MS/DOS, but many observers think IBM will try to use it to regain market share from the clones.

IBM is due to bring in version 2.0 of OS/2 this autumn, and will accompany it with a heavy marketing campaign. Users and developers are waiting anxiously to see whether this version of the code will be as strong as IBM has indicated.

It will be a crucial moment for IBM, as OS/2 is an integral part of its blueprint for the future of software known as Systems Applications Architecture (SAA). Most of SAA remains theory at present; OS/2 could change that. The credibility of SAA and IBM's industry reputation rest heavily on the delivery of a fully functioning OS/2.

Even loyal IBM customers have had their doubts about it up to now. IBM cannot afford to fail with OS/2 and risk alienating those customers.

Mr Martin Milautzcki of IDC comments: "The situation is very difficult now for users. They are having to spend much money on IT in a very uncertain situation. The question is, whose promises can they believe?"

When OS/2 2.0 is launched, offering compatibility with existing MS/DOS and Windows 3 applications, software houses will have to decide whether to develop for that platform as well as Windows 3. As yet the progress of OS/2 is held up by lack of applications.

There are few for OS/2 itself, and fewer for its GUI, Presentation Manager. IBM is trying to help software houses accelerate their production of applications, but there will not be many significant new programs before mid-1993.

Software houses are thus still unsure which platform to target for the mid-1990s. Unix should be the best for developers in the scientific, technical and engineering fields, where it has already established itself on more powerful workstations.

But OS/2 has the important advantage of applications compatibility with MS/DOS and is likely to be used in offices where PCs have to communicate with larger IBM systems.

Developers have to ensure that they have targeted the platforms of the future while keeping their ever-mounting costs under control.

Mr Paul Bailey, UK managing director of Lotus, the spreadsheet company, has tracked the platform issue since the mid-1980s and has studied the problems dogging OS/2 and Windows. In 1989 Lotus decided to throw its resources at Windows 3, when it looked a stronger option than OS/2. Now Mr Bailey is keen to find out whether OS/2 2.0 will do everything IBM says it will.

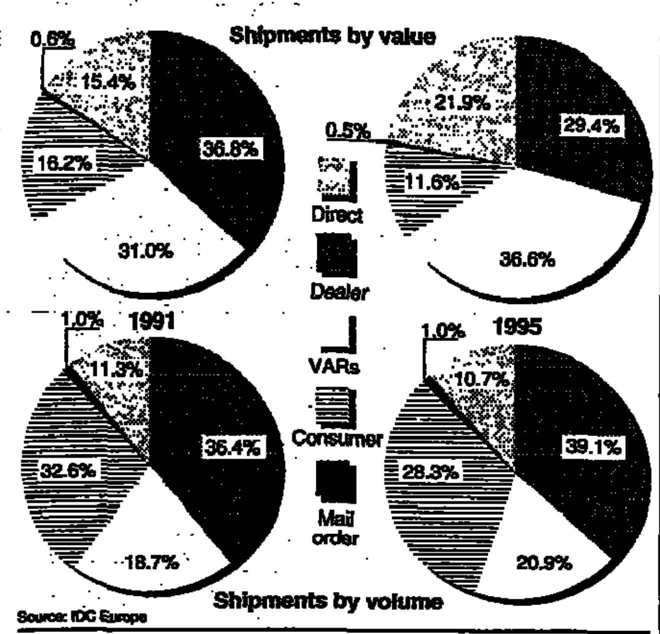
Novell, the local area networking firm, is having to increase its research effort to cover all the possible options. *Its marketing specialist*, Mr John Lo Conte, says it is supporting work on OS/2, the Apple Macintosh and Unix operating systems simultaneously.

Smaller software houses, however, are likely to have to restrict themselves to concentrating on the Windows 3 platform.

The biggest unknown factor in the equation is the recent agreement between Apple and IBM. The deal has been interpreted as another attempt by IBM to regain control over platforms from Microsoft.

A jointly developed operating system incorporating a new programming technique called object orientation is expected in the mid-1990s. The output of the venture is vague at this stage, however. To bring Apple's Macintosh technology in line with IBM's OS/2 seems an extremely challenging aim.

Western Europe PC business by channels



Source: IDC Europe

Only the fittest have a future, writes **John Lettice**

Survival in the market jungle

ALTHOUGH the leading lights of Europe's computer sales channels may disagree on how *the market is to develop*, most of them now concede that the next few years will see an end to ten-year-old certainties. PC sales channels, relatively stable since the launch of the IBM PC, are once more on the move.

The microcomputer's rather intricate route to the customer developed as a consequence of *its cheapness and portability*. Minicomputer and mainframe manufacture has traditionally been complex and expensive, so only a few large organisations have been able to sustain sales forces to go direct to the customer. Microcomputers, on the other hand, fed the growth of smaller manufacturers, higher sales levels and far wider distribution.

The more fragmented nature of the manufacturers and the customer base meant there was a need for multi-tiered distribution rather than the old direct manufacturer-to-customer relationship. IBM's own odyssey through the channels illustrates this.

Prior to the launch of the PC, IBM sold direct, but began to acquire dealers as the new standard took off. Its direct sales of PCs declined as the explosion reverberated, and in 1985 it appointed its first distributor in the UK, MBS.

The company's channel strategies became more complex as more distributors were appointed, but in 1988 IBM went into sharp reverse, altering its discount structures in favour of dealers, and effectively killing off its distribution base.

This moved IBM to a distribution model more in line with that of arch-rival Compaq, but this structure in itself is now threatened, and is being increasingly questioned by the companies employing it - IBM included. The best way to categorise what is happening is to say that the industry is moving towards a multiple entry-point distribution structure.

One of IBM's first toes in the water was to begin selling its entry-level machine, the PS/1, through high street retailer Dixons (a strategy to be boosted this month when Dixons begins selling a far more powerful 386SX-based version of the machine), but IBM UK personal systems manager Howard Ford also talks of far less formally structured approaches to marketing in the future.

Mr Ford is a key part of an organisational reshuffle earlier this year which placed emphasis on IBM's European structure, and he reports both to IBM UK and to the personal systems division in Paris.

The last few months have seen several European initiatives being piloted in various European territories, two of the most significant being a mail order sales scheme, which is still confidential, and the broadening of IBM's "options" (effectively, add-on products) to third party distribution.

The latter does not mean that IBM is going back to distributors, but is a sign that the company no longer feels it can go it alone. IBM itself has begun selling the industry standard network operating system, *Novell Netware*, and the broadening of options distribution allows third party distributors to sell IBM-badged equipment such as Token Ring networking equipment.

The mail order experiment, should it go live throughout Europe, could have a broader significance. Mr Ford is at pains to stress that IBM will do nothing *that will compete with* its existing business partners, so the company is unlikely to find itself selling machines direct to corporate customers in the short term. He concedes this implies that a mail order scheme will either sell products IBM's dealers do not sell, or will sell into areas not covered by IBM's dealers.

That second possibility may be the crux of the matter.

IBM is not the only company interested in Dixons. Apple is widely tipped to be next, and Dixons's interest in broadening its PC range is a sign of the increasing commodification of the PC. They are cheaper and more user-friendly, customers are better educated, and the market for low-maintenance direct sales is vastly increased.

This is manifested in a recession-defying explosion of small dealers/manufacturers. A dealer can become a "manufacturer" by striking up a relationship with a few Far Eastern component manufacturers, and assembling its own-brand boxes, and then it is simply a matter of competing, through magazine advertising, on the basis of the price performance ratio.

This sector of the market is also fuelled indirectly by the manufacturers, whose sales target requirements often lead to excess equipment spilling over from manufacturers, distributors or large dealers into "unofficial" channels.

The high volume, low margin approach is hazardous even at the best of times, but the alternatives are scarcely less so.

A few larger dealers, such as Computacenter, SCC (Specialist Computer Centres) or P&P's direct sales arm can command sufficient in the way of corporate accounts to be able to *avoid the difficulties small, low* margin dealers face, but the only viable alternative for those without the resources to grow fast is to add value to the basic equipment, thus commanding higher margins.

Value Added Reseller (VAR) and Systems Integrator programmes are, however, themselves vulnerable to the rate-cutting sector of the market, as they can only be sustained if the dealer is able to justify the price in terms of services. All too often a VAR programme has at its core a PC twice the price of rival machines for no clear reason. And if you stand still in the VAR market, the low end of the market passes you in terms of expertise.

A good VAR must, therefore, plough large sums into staff training, and be forever on the lookout for technology new enough, and complex enough, for margins to be preserved.

Della Bradshaw looks at much-neglected security issues

An enemy without, an enemy within

WHEN corporate data processing relied on centralised mainframes, security issues were relatively easy to keep under control. But with PCs came a proliferation of hardware (which can fail), floppy disks (which can spread viruses), and easy access to data (which can engender fraud).

Deficiencies in back-up systems in case hardware fails is the biggest security problem, says Dr Alan Soloman, chief executive of S&S International, of Berkhamsted in Hertfordshire.

"A hard disk is the same as a washing machine, a car or an electric mower – they eventually all stop working. A car or washing machines can be replaced, but your data cannot."

According to Dr Soloman, many companies forget to back up their hard disks and therefore have no duplicate source of data. The results can be disastrous, he says. "If your company loses its accounts you don't know who owes you money. You don't even know who your customers or suppliers are."

Mr David Frost, a partner at management consultants Price Waterhouse, says that in his experience 90 per cent of companies *which lose the use of* their computer systems and do not have contingency plans, go out of business.

Even those that do back-up their data often ignore basic housekeeping rules by storing *disks locally. If a fire swept* through the office, both PC and disk would be destroyed; or if the machine were stolen, the thief might take the floppy disks as well.

"Most companies are actually in the data processing business but they only realise it when they have no data," points out Dr Soloman.

Although lack of back-up is a common problem, the spread of computer viruses is also rife and a topic which even the most computer-illiterate chief executives now recognise.

Computer viruses are programs which copy themselves from one computer to another, and can destroy the integrity of the data. They come in a number of forms, many with exotic names. With the "cascade" virus, for example, all the characters fall from the top of the screen into a pile at the bottom; while the "Italian" virus generates a ball which bounces across the computer screen.

The first signs that a virus has crept into the computer network might be a change in *file size and a change in the* date of the file. These are factors which most computer users will never notice.

Other symptoms are the computer crashing or taking a long time to carry out basic task.

Although it was not until about 1987 that the first viruses appeared, there are now about 250 of them documented.

Although virus developers see it as a challenge to develop the most sophisticated and undetectable viruses, the comforting news for companies is that any virus that attacks the corporate data files is likely to be one of the more common varieties. These can be detected and eradicated using virus checking software from companies such as Sophos of Abingdon, SS International, or International Data Security of London. These programs work by checking for the individual pattern that every virus leaves *in the program.*

Ninety per cent of companies which lose the use of their computer systems and do not have contingency plans, go out of business, says a partner at Price Waterhouse. Fire, theft, vandalism and fraud are all very real threats to any computer-based business

However, the problem for companies with large numbers of disks is to find out which PC or disk is infected. The damage to data might be trivial, but it can take days to search through *thousands of disks in* order to find the rogue one.

More pernicious viruses can actually make small variations to the data held on the computer, a particular problem if it involves payments. The dilemma then is that by the time the virus has been noticed, it may be too late to retrieve accurate data from old files.

Again, the situation is compounded if there are no back-ups of the data.

Altering data deliberately is one of the easiest ways for computer fraudsters to obtain illegal funds. Fraudsters are aided by modern computer architectures in which company employees can get access to data held throughout the *computer network from their* own PC or terminals.

Today's fraudulent attacks fall into two main types: single large-scale frauds, where millions of pounds are removed in one swoop, or "salami attacks", as *Donn Parker*, senior management consultant at SRI International, in California, calls them. In these attacks small amounts of money are sliced away over a period of time, the intent of the thief being to disguise the losses.

Whereas computer crimes in the past were largely the work of disgruntled employees, *today the widespread use of* computer systems in financial applications – payroll, funds transfer or bill payment – has offered organised crime a lucrative opportunity.

Today most potential frauds are thwarted by regular checks, says Dr Ken Wong, account development director for security at PA Consulting. But checks can be rudimentary and often arbitrary. Dr Wong believes that selective checking, using the latest expert systems could prove less expensive and equally effective.

In the case of a bank or credit card company, for example, the expert system would be programmed to know that a £2,000 transaction at a top-class *store such as Harrods would* probably be genuine, whereas a transaction of the same amount from the local chain store might not be.

Because defrauding a business involves getting funds out of the organisation, another basic precaution is to instigate checks at the periphery of the financial system, at all points where money leaves the company.

To prevent outsiders from defrauding the company, a strictly enforced access control system is a first step. Today this usually involves passwords, which have to be tapped into the system before a user is allowed to use the PC. In the future, biometric devices, such as retina scanners or thumbprint recognition machines, could also help enforce security.

Although these do give extra protection – it is impossible to change a thumbprint, or a retina – once a hacker has taken a thumbprint, he or she can gain access to the computer system repeatedly without being challenged.

A less expensive but secure option might be to insist that employees choose unusual passwords and change them regularly. The most frequently selected passwords today are still the name of a spouse, child – or even a pet.

Michael Dempsey on image processing

Pictures on the small screen

ROLLS ROYCE and Associates (RRA) makes engines for the Royal Navy's nuclear submarine fleet. The Derby plant works at the pinnacle of precision engineering. After 32 years in the nuclear power plant business, RRA engineers have acquired a library of one million drawings and documents. A submarine engine gets modified a lot over a 25-year life at sea, and every change and new part has to be scrupulously logged.

Computer Aided Design (CAD) has made life easier in current and future systems design. But it is a recent innovation and only covers 4 per cent of the total drawing library. It does nothing for a reserve of drawings stretching back three decades.

"What we wanted was a really good archive system," says Ron Hawley, manager of the drawing office at RRA. Late in 1989, he found a means of getting on top of the documentation mountain.

The advent of optical disks, compressing the data that creates visual images on-screen, meant that intricate diagrams could be stored and recovered quickly and simply. Unisys was about to launch its prototype image processing technology, InfoImage. RRA agreed to test InfoImage, but with its own agenda. Mr Hawley and his colleagues intended to use it as a jumping off point for their own development.

With InfoImage, a document can be scanned into the system and join the archive in six minutes. Speed of archiving and retrieval is critical. The 150 employees in Hawley's department can access the archive at any one of 30 workstations.

InfoImage had to justify its existence by clear cost savings, and by 1993 it will have paid for itself. Some productivity gains are hard to quantify. "I think the bottom line is that we could do the same job tomorrow with fewer people," Mr Hawley observes. Others gains are dramatic. Tracing an engineering drawing took three days and cost £200 before image processing was installed. Now the process takes six minutes and costs £20.

The key to image processing at RRA is an indigenous database, the Parts Information Management System (Pims). While InfoImage stores a whole drawing, Pims holds the technical data that makes sense of its parts. RRA regards image processing as one weapon in its struggle against a larger problem. "The company has a legacy of live documentation which, if not effectively indexed, stored and made available to staff through fast retrieval systems, could swamp us and prevent the full achievement of our business strategy."

RRA is reluctant to put a price tag on its entry into the image processing game. Unisys says that a PC-based system starts at £50,000. Image-processing is based around the familiar concept of workstations, physically resembling a PC but powered by a very fast chip suited to demanding applications. In the vocabulary of image processing, workstations are transformed into seats. A three-four seat Unisys installation costs £100,000 – £150,000.

Citibank Mortgages was forced to examine the economic benefits of image-processing very carefully. It handles mortgages for insurance companies and independent brokers. The house-buyer has no idea that he or she is a Citibank customer until an offer is made.

The paperwork involved in processing mortgage applications is horrendous. Such is the amount of information, that storage on a mainframe computer is not an economic proposition. Paper files are still necessary to maintain the detail of an application. Every query on that application ties down staff in a paper chase. By 1986, with the housing boom well under way, Citibank anticipated it would be handling two million pieces of paper a year in 1991.

It was a prediction made in a buoyant market, and £1 million was invested in image processing equipment from Olivetti. The idea was to banish paper certificates to a secure holding site well away from the bustle of Citibank's West London offices.

Olivetti's contribution to image processing is known as Optical Scanning and Recognition (Osar). Just like Unisys' InfoImage, equipment licensed from the US Filenet Corporation is at the heart of Osar.

Osar processes the file through a scanner, capturing the image in binary form. It is a glorified photo-copier, although Brian Howells, operations director at Citibank Mortgages, notes that Olivetti sales staff are sensitive to such comparisons. The image is then compressed and stored on magnetic disks, and can be viewed on workstations in the image-processing network.

These disks are effectively big brothers of compact discs used to store music, and the workstations call on a jukebox to summon the appropriate disk. Each disk stores up to 50,000 documents, There are up to 64 disks in the jukebox, which can hold 3.2 million pages of information.

By mid-1988, when Osar was installed, the property market was slowing down. But the technology showed immediate benefits. "The primary saving was an improvement in service, which you can't measure easily," Mr Howells recalls. "Previously, you'd get an inquiry, and you could not find the file because two parties and the solicitor had all requested it. Someone else at Citibank had got there first."

This became a problem of the past as the workstations were installed. "Now three, four, five people can look at it at once." And Mr Howells is aware that retrieving information promptly has important psychological consequences. "Being able to get documents quickly addresses the nervousness of the market."

Citibank still owns realms of paper files. They are stored elsewhere in a fire-proof vault. Floor space has been saved in Inner London, but that's the least of Howells' image-processing discounts.

Citibank is saving £200,000 a year in staff productivity. "There have been no redundancies, but our growth has not required a parallel increase in people."

As any estate agent can testify, that growth has not matched the optimistic forecasts of the mid-1980s. But Citibank is handling enough mortgages to justify the cost of image processing. Osar devours 5,000 pieces of paper a day. In a year, 1.3 million items are fed into the system.

Today's gimmick or tomorrow's standard?

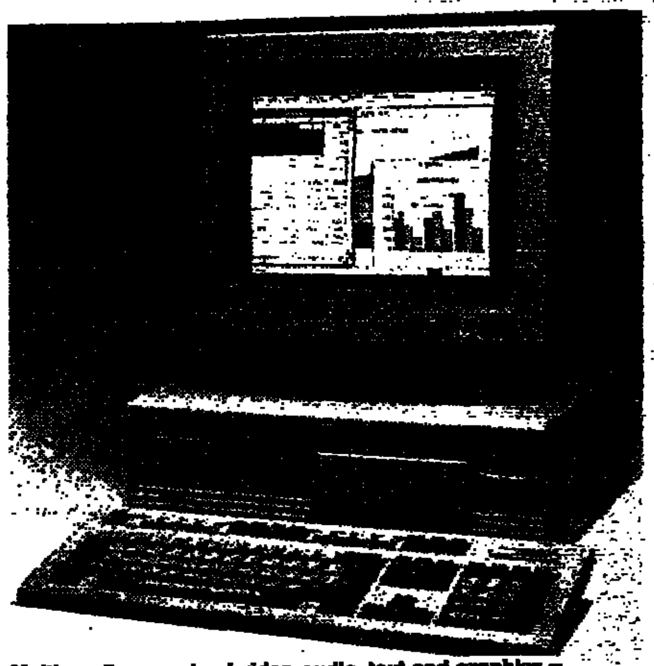
The all-singing, all-dancing PCs

THE National Gallery's new Sainsbury Wing has attracted 300,000 visitors since it opened on July 10. The Gallery's Renaissance collection is now housed in 66 rooms on the building's second floor. Every day hundreds of people stop off at the first floor, home of the Micro Gallery.

A dozen computer screens are arranged in slanting booths down the right-hand side of the Micro Gallery. Sit at one of these screens and you can summon up the entire National Gallery collection in colour. Hitting patches at the bottom of the screen allows you to home in on historical details of artists and their work.

Assistants are on hand to help with iquiries, but the system is so self-evident that their main role is directing visitors to the comments book. Remarks scribbled here are uniformly positive. Says one: "I'm impressed – and I'm a systems analyst!"

Most visitors to the Micro Gallery are unaware that they are participating in the first wave of multi-media technology. Apple, which supplied the hardware and has a huge stake in multi-media, calls it "the future of computing".



Multi-media – a mix of video, audio, text and graphics – is being pushed as the truly modern way to a presentation

Multi-media is an umbrella term for using familiar technology to create striking and original images. Tie video, audio, text and graphics together, and you have multi-media. Suddenly it is being pressed on business as the truly modern way to create a hard-hitting presentation.

It owes its existence to a series of slight but significant advances in PC technology. The advent of the CD-rom, the latest and most compressed form of media storage for PCs, allows the user to pull down sophisticated visual images on to the humble PC screen. In theory you get a whole new world without any more investment than the CD-rom drive.

Hypercard, a software toolkit that allows a computer program to be written in visual terms, was seized by Apple and has been shipped with every Macintosh PC since 1988. With Hypercard driving the user along through simple images, it becomes possible to create multi-media programs. All PCs are now sold with inbuilt microphones, so the audio element of CD-roms can be exploited. The humble PC is no longer limited to communicating in pained beeps whenever an error is keyed in.

When the Micro Gallery was planned three years ago, the hardware needed in order to deliver complex images on-screen instantly simply wasn't available. Any delay in delivering pictures would cost the user's attention. The Micro Gallery project proceeded on the basis that hardware would catch up.

Each of 12 workstations accesses a 1.3 gigabyte hard disk. The specification cited that it should take less than one second to call images up to the 19-inch colour screen. That speed can be obtained from the latest, top-end, Macintosh, the IIFX. The bill for this, the largest interactive reference library open to the public, was £700,000.

Another multi-media mover is Optech, of which Ewan MacGregor is managing director. The company sells CD-rom disks packed with information on everything from the Middle East geopolitical situation to the authentic roar of a tiger.

For someone in the business, Mr MacGregor is openly cynical. "Multi-media is a vastly over-used term," he says. "It's a pretty trendy thing to be in."

Mr MacGregor makes the point that although the theory of seamless presentations is appealing, the reality can be expensive. Assembling a multi-media presentation without professional assistance is a tall order. Call in the professionals to stitch video and graphics together, and your PC package starts costing big money.

One serious – £5,250 – multi-media tool used by such as the RAF, Mercury Telecom, and Nationwide Anglia building society, is Authorware. It allows the user to create an in-house training programme.

The big plus is that Authorware dispenses with the need to shoot a video. It's cheaper, and presentation skills are not needed.

In the past, Nationwide's training staff in Northampton produced interactive videos at the cost of about 100 working hours each. "Using Authorware, we can get this down to 25 hours," says Paul Robson, Open Learning Manager, Nationwide Anglia.

That saving exists largely due to the experience the staff had in creating videos for the building society's employees. Their expertise made multi-media a practical proposition.

Their training package will run on workstations at local offices and extend staff training without demanding more trainers. Nationwide Anglia has taken the idea of Computer Based Training (CBT) and developed it. So far that is the only visible business benefit to emerge from the multi-media hype.

Potentially serious players are lining up. The Multi-Media Company (MMC), led by former senior BBC people, understands the glamour of TV. Conferences can be boring, and multi-media is an ideal substitute – but the only customer so far has been Apple. Its recent Cannes conference had room for just 500 people, so MMC put it on a CD-rom for the rest.

Peter Armstrong, MMC chairman, was formerly head of BBC TV South East. Armstrong and two fellow BBC directors bought out the Corporation's Interactive TV Unit in February 1990. The BBC retains a share, and the main agenda of the MMC is publishing BBC programmes on CD-rom. Mr Armstrong retains faith in the interactive side of multi-media, the fact that an audience can call up images when they want. "It won't be a flash in the pan, any more than printing's been a flash in the pan," he says.

CD-rom is a better form of storage for data-greedy applications involving high-quality images. For smart training establishments, it boosts CBT. For a fledgling multi-media industry to exploit this capability it should beware of false starts.

Michael Dempsey

Groupware is the future, says **Philip Manchester**

The global office is just a network away

THERE is more to making PCs effective in a corporate environment than simply plugging them together in a network. If they are to contribute to corporate productivity in the same way that they have helped personal productivity, PC networks must be able to present usable applications.

One of the key ways to do this is groupware, a type of software which brings individual PCs on a network together at the application level.

Top computer software suppliers are already homing in on groupware as one of the main growth areas of the next decade: "We believe that what software did for the personal computer in the 1980s, groupware will do for the network in the 1990s," said Lotus's chief executive Jim Manzi in a presentation last June.

Lotus is well ahead of its competitors in the groupware market with its Notes product. Notes, which was launched 18 months ago, furnishes a high-level application environment on a network of PCs. In itself, it is not an application as such. It provides the bones of an application and can be used for such tasks as customer tracking, status reporting project management and what Lotus calls "collaborative free-form discussion".

Notes uses a relatively new "architecture" called the client/server model which allows the "front end" of an application to be totally separated from the "back-end". The user, as the "client", sees a screen with a modern graphical user interface – much like any other PC application. But behind the screen the software provides links to services such as database and electronic mail – powered by other computers known as servers. These can be located in the same office or at the other end of a telephone line on a wide-area network.

Lotus Notes can cope with a wide range of data formats produced by other software packages – such as Microsoft Word wordprocessing documents and tagged image format files (TIFF). It also works with all the big PC network systems such as Novell's Netware and 05/2 LAN manager.

The essence of groupware is its ability to control the movement of documents and data through the system. This ensures that all of the users in a particular department who are supposed to examine or comment on an item, see it. It thus acts as a control mechanism and, theoretically, makes workers more productive.

The members of a group, of course, do not need to be located in the same geographical location. The network allows them to be spread

The members of a group can move out of the office and spread right across a city, a country – or even across the world

across a city, a country or even across the world.

Lotus Notes has already been taken on by 80 of the Fortune 500 companies in the USA and the appeal of the product is spreading. But Lotus does not have the field to itself. Apple Computer is making a strong push into the groupware market following the recent upgrade to the Apple Macintosh operating system software. The new version of the Macintosh, called System 7, incorporates many of the mechanisms needed to build groupware applications – the most innovative being a feature called Publish and Subscribe. This feature can be used to make data and documents available to users on a network of Macintosh PCs.

Julian Wilson, a business development manager at Apple UK, says it is working closely with the Central Computer Technology Agency (CCTA), the UK government body, on a project called the Computer Supported Co-Operative Workgroup (CSCW).

"The CCTA has recognised that workgroup technologies are essential as the pattern of work changes in the 1990s. I think a lot more people in organisations will find themselves working in teams and will need to cultivate a wider range of skills than in the past," says Mr Wilson.

Apple is working with several partners on groupware applications. The US software company On Technology has produced two applications: Meetingmaker, which searches individuals' electronic diaries to find an appropriate "slot" for the members of a group to meet; and Instant Update, a program to ensure that copies of data are kept in line.

A small UK company called FCMC is finding a ready market for its groupware product Staffware. FCMC managing director, John O'Connell, describes Staffware as a tool "to automate bureaucracy".

Staffware has attracted some heavyweight users. British Telecom uses it for automate procurement and an electronic suggestion box; and the giant US Veterans Administration is using it for document tracking in its Project Noava.

Hardware manufacturers have also latched on to Staffware and the product is sold by ICL as Powerflow and by Unisys as Office Procedures.

Mr O'Connell warns, however, that installing groupware is not a simple task: "A high level of skills is needed to install it, and the software must be very flexible."

It nevertheless seems likely that groupware will increasingly be used to solve problems resulting from the switch from centralised corporate commuting to distributed computing on networks.

PC progress is not without problems

Multiple technologies, big costs

THERE can be little doubt that PC networks are replacing traditional mainframe and minicomputer systems based on "dumb" terminals. All the trends point in this direction.

But the introduction of PC networks is not without its problems.

A recent survey of more than 100 network managers from the Times Top 600 UK companies, commissioned by US network vendor 3Com and conducted by Benchmark Research, shows that most companies (93 per cent of the sample) are finding it hard to contain networking costs, and that they expect the problem to get worse.

Alarmingly, a third of the sample are unsure of the true cost of their networks, while 93 per cent are finding it hard to contain networking costs. Only 5 per cent were satisfied with the current cost of their networks.

More alarmingly, a third of the sample are unsure of the true cost of their networks, and only 5 per cent were satisfied with the current cost of their networks.

The problem lies in the integration of the many network protocols and different cabling systems. Network protocols are the "language" used for communications between the different components in a network.

The Benchmark survey shows that more than 80 per cent of company networks use more than three different protocols, and nearly 60 per cent use more than two different cabling systems.

Companies are being forced to adopt multiple technologies to meet the demand from users to connect different local-area networks (Lans) within their companies.

Some 60 per cent of companies already have Lans attached to their corporate networks and this has pushed the complexity of their networks beyond their capacity to control them. The survey also found that few companies have sufficient staff resources to support the networks they have installed.

3Com says it has identified a cost/complexity barrier – the point where network costs increase beyond economic levels. It goes on to say that this barrier is likely to be reached in many companies where network traffic is increasing at more than 25 per cent a year.

With the anticipated move to new technologies like open systems, multi-vendor networks and client/server systems, this level of growth is conservative and the real increase in network traffic will be much higher.

"There is no doubt that PC Lans are the main contributor to the increasing complexity of corporate networks," says Tom Plimmer, managing director of 3Com in the UK.

"There is a growing demand for greater volumes of data on the desktop and as the demand grows, there is a need for increased bandwidth in networks," Mr Plimmer goes on.

In simple terms, bandwidth in network connections can be compared to the diameter of a "pipe" in a central-heating system. With a bigger pipe, more water can travel along it. The bigger the bandwidth, the more data can be transmitted across the network.

With the increased demand for images and other services, which require very large amounts of data, the bigger the bandwidth needed to transmit data.

3Com's answer is to propose a simpler networking model which can be expanded without increasing the number of protocols supported. It also says that increased reliance on the public data communications services for managing connections between different network technologies will help.

The research identifies the three leading protocols desired by users as TCP/IP, X.25 and Novell's SPX/IPX – each of which was cited by more than 20 per cent of the sample. But there is a long list of other protocols required by users including DECnet (15 per cent), IBM's SDLC (8 per cent), OS1 (5 per cent) and NetBios (4 per cent).

Currently Novell's SPX/IPX leads the field – it is installed in 35 per cent of the sample – with TCP/IP (26 per cent) and DECnet (22 per cent) following. The survey confirms the trend away from proprietary protocols like DECnet and Novell to industry standard protocols like X.25 and TCP/IP.

Despite the inherent problems of installing PC networks, pioneering users have bitten the bullet and are starting the transition from the traditional central computer.

Mercury, the UK telecommunications carrier, placed an order for 4,000 Apple Macintoshes last month to form the basis of its new corporate information processing system.

Anthony Smith, Mercury's information system director says the change is a necessary part of the company's expansion plans: "As we grow, we see top-notch business processing as a major source of competitive advantage.

"We want to deploy the latest and the best technology and we believe this means Apple Macintosh, because they are the easiest to integrate into our existing systems," says Mr Smith.

Mercury currently uses large IBM and DEC computers and one of the main advantages of the Macintosh, according to Mr Smith, is the ability to make connections between the Macintosh and these systems.

"We need to be able to emulate the old DEC and IBM terminals and this is straightforward with the Macintosh," he says. Mercury will use the Oracle database package to provide database integration across the all three types of computer.

Mr Smith accepts that network complexity and the difficulty of supporting a dispersed user base are problems his company must face. He says, however, that Mercury has anticipated the problems and is putting management structures in place to ensure the problems do not get out of control: "We are putting a three-tier support system in place – end user training to handle small-scale local problems, departmental support for more complex problems and centralised support for the really difficult ones," explains Mr Smith.

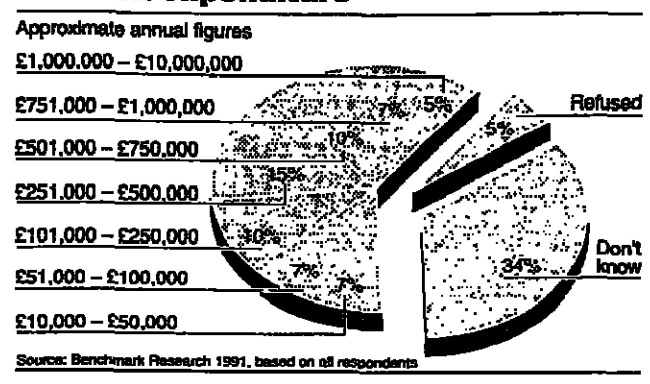
As a telecommunications supplier, Mercury is in a better position than most companies to appreciate the potential pitfalls which might come from moving to PC networks.

Mr Smith says that there is really no choice: "We have to face the simple fact that we must do it. It is the only way we can be sure of maintaining and improving our market position."

Many other companies will face the same challenge in the next decade as PC networks replace traditional information processing structures.

Philip Manchester

Network expenditure



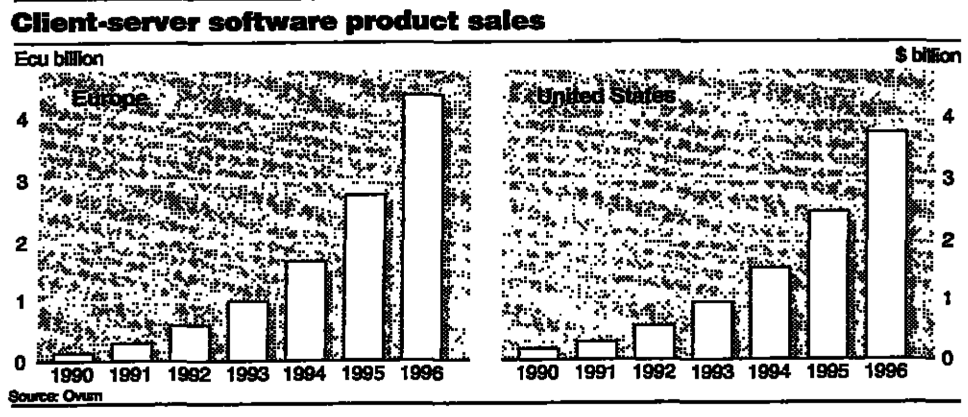
Source: Benchmark Research 1991, based on all respondents

FACTORS INFLUENCING THE WAYS NETWORKS HAVE GROWN

Factor	Respondents (%)
Increased user demand	36
Business demands	27
Most cost-effective route	14
Increased application demand	7
Need for increased data access	6
Need for improved communications	6
Available technology	6
Company structure	4
Mainframe access requirements	4
Performance requirements	4
Increasing distributed processing	3
Standardisation	2
None	2
Don't know	1

Source Benchmark Research

Client-server software product sales



Source: Ovum

The doom merchants spoke too soon, says **George Black**

Modems will survive

THE market for modems – modulator/demodulator devices which carry data between computers across the telephone – looks to have better prospects than had been forecast.

Some industry-watchers had said the advent of the new integrated services digital network (ISDN) telecommunications technology would make analogue modems obsolete. Now, however, it is thought that modem sales will fall only slowly until the late 1990s, when ISDN starts to take over.

ISDN will mainly serve large firms with a lot of data to transmit. For smaller firms, modems will remain more attractive. There will be a time lapse between ISDN coming into common use in big cities, and being able to support users in more remote places.

Moreover, ISDN is likely to affect leased-line modems more severely than dial-up models. Leased line models have been in decline for several years, while dial-up machines have been spreading rapidly as their speed of performance has improved and the cost has come down.

Some analysts now expect that many modems will be used eventually for interworking with ISDN, instead of being replaced by it.

There are several reasons to believe that modem use will expand in the next few years:

■ Demand for more powerful and flexible modems is increasing, mainly because PCs are getting more powerful and have larger memories, so there is more data to be communicated;

■ Users are creating more graphics, which occupy more memory than text files and therefore take longer to transmit;

■ They also require faster response times.

As people try to get more from their systems – soon, perhaps, wanting simultaneous voice and data interaction between offices – faster and more versatile modems will be wanted.

Mark Orchart, marketing manager for UK supplier Dowty Information Systems, argues that modem technology is progressing fast enough to hold off any threat from ISDN.

■ Also, there are many new users, such as small businesses and doctors' practices, which are just starting to use PC communications.

■ Another reason for modem makers to be optimistic is the European Commission's directive on the provision of open networks, which comes into operation at the beginning of 1993. It will force some other countries to follow the British lead in liberalising their telecommunications.

This will stimulate competition in modems as in other electronics markets, although national regulations will still make international marketing difficult.

With national telecommunications at different stages of evolution, there is an opportunity for a number of levels of sophistication of modem to be marketed over several years.

John Babb, European general manager of Hayes Microcomputer Products, a leading US modem maker, thinks the focus will shift from the mature markets of the UK and France to the emerging markets of Germany, Italy and Spain.

Leading European suppliers, such as Dowty and BT Datacoms in the UK, and Siemens, Nokia and Alcatel on the Continent, will be challenged by US and Asia Pacific firms – although the Japanese have yet to make any serious impact in this sector.

The evidence from the UK, which is by far Europe's largest and most free modem market, is that deregulation encourages more players, although not all survive.

The UK market has been helped by the British Approvals Board for Telecommunications (BABT), which has made it easier for manufacturers with good products to get them approved.

Also, buyers' decisions have been simplified by the consensus on technical standards, which is steered by the Consultative Committee on International Telephones and Telegraphy (CCITT).

Another factor in the increase of modem sales is the rise in the number of people working at a distance from headquarters. Many salesmen, for example, work some of the time in clients' premises and some of the time at home. They often need to download data from their PCs to the corporate system overnight.

However, informed opinion is that working from home, although on the increase, is still a small influence. Office to office communication is still driving modem sales far more than home to office.

Sales are also helped by the growing number of "bulletin boards", which are independently-run message exchange systems serving a wide range of special interest groups.

The volume of UK modem sales has been increasing at around 24 per cent a year and has not suffered too seriously from the recession.

However, revenue from sales has been flat for three years. As with other types of computer hardware, technological advances and the tougher economic climate have combined to depress suppliers' profits. Modem salesmen have found more network managers wanting to bargain over prices.

The volume of UK modem sales is expected to drop steadily during the 1990s, while revenue growth may hold up at about 2 per cent until the middle of the decade.

As competition intensifies, manufacturers are obliged to include more special features just to get on to buyers' shortlists, even though some of those features may not be used. Some are bundling special software in order to make their machine more user-friendly. A fax capability is becoming regarded as essential.

Demand is still high for the relatively slow 2,400 bits per second (bps), or V.22bis standard, models.

These are popular with PC users who interrogate databases online, but do not often transmit large files.

The big growth area is in the V.32 9,600 bps machines, according to Richard Mitchell, an associate director of the market research organisation Dataquest.

UK sales of V.32 machines rose from 33,000 units in 1989 to 48,000 in 1990.

Jeff Soulsby, UK distribution manager for UK producer Racal-Milgo, says it is easy to justify an investment in upgrading to V.32 modems on grounds of cost-saving in line time.

A concern for modem users such as the financial services institutions has been the vulnerability of their networks to data hackers. However, improved security features on modems such as the use of passwords, dialback and encryption techniques are making them more robust all the time.

UK modem market suppliers

1989 revenue ($ million)	Share
Dowty/CASE	27.2%
BT Datacomms	16.0%
Racal	7.3%
Tricom	5.0%
Pace	4.3%
Motorola	4.1%
GPT	3.4%
Hayes	3.2%
IBM	3.1%
Amstrad	3.1%

Scale: 20, 40, 60, 80

Source: Dataquest

The volume of modem sales in the UK has been increasing at around 24 per cent a year, and has not suffered too seriously from the recession. However, revenue from sales has been flat for three years.

The market cannot sustain all the players, writes **Paul Abrahams**

It's the big shake-out

THE menacing clouds of recession which have cast such dark shadows over the information technology industry have finally reached the portable computer sector. Portables, which defied the slowing sales patterns in the personal computer market during the late 1980s, have been hit by overcapacity and slacking demand.

The heady years such as 1989, when European unit sales of portables increased – admittedly from a low base – by as much as 79 per cent a year, are over. Unit sales growth for portables has slowed according to Dataquest, the UK market research company. About 723,000 portables were sold in Europe last year, an increase of about 55 per cent – well below what had been previously forecast.

Dataquest estimates that portable unit growth will increase by about 37 per cent next year, slowing to about 17 per cent a year by 1995. The fastest growing sector, it reckons, will be the market for notebooks, which it defines as weighing less than 7lbs.

Although such growth is far greater than any other section of the computer market, it is undoubtedly insufficient to support the large and ever increasing number of vendors.

Toshiba, the European market leader, estimates that whereas there were about 35 portable suppliers in 1989, this year more than 150 companies exhibited at Comdex, the computer show. Compaq, the US manufacturer, says it gave up counting the number of its competitors when they passed the 300 mark.

The main reasons for the explosion in vendors has been the falling cost and increasing availability of specialist portable computer components. This is particularly true in the lightweight notebook sector, where companies such as Toshiba and Compaq were able to dominate during the late 1980s thanks to their technological lead. Now, both established vendors, such as IBM and Commodore, and a host of clone manufacturers, many based in the Far East, have launched credible products.

Not surprisingly the market leaders have seen their market lead eroded by the new entrants. Dataquest estimates that Toshiba had 28.5 per cent of the European notebook market by value during the second quarter of this year, while Compaq had 27.6 per cent. By volume, figures for the seven largest European national markets over the same period showed that Toshiba had 47.5 per cent, Compaq had 19 per cent – down from 39 per cent last year – while Commodore had 7.5 per cent.

The impact of increased competition has been slowing revenue growth as widespread discounting takes hold throughout the market.

"There's overcapacity in the market," says Mike Daly at Grid Computer. "Manufacturers with high costs are having to dump products to maintain market share."

Certainly, European street prices have fallen as buyers have proved able to negotiate significant discounts from dealers even on highly specified machines with 386sx chips. Similarly, large corporate clients have been able to obtain highly attractive bulk packages. Meanwhile, in the US there has been a well-publicised price war which started when Compaq announced price cuts.

One of the main consequences of the European price war is that distributers are now bracing themselves for cuts in the margin offered by manufacturers. Toshiba, for example, is negotiating with its distributors to cut the dealer discount scheme rate from 43 per cent to 30 per cent, according to Mr Heinz Kraus, senior manager of product marketing at Toshiba Europe.

The weaker retailers are to be weeded out, while those more efficient operators will be able to prosper with lower margins, says Mr Gian-Carlo Bisone, vice-president of marketing for Compaq Europe. He expects "superstores" such as those already developed in the US to emerge in Europe next year. These specialist computer shops will offer easy-to-configure products off the shelf, with limited support, in a similar way to department stores.

In the meantime, leading vendors, such as Toshiba, plan to distinguish their products from the clone manufacturers in two ways, explains Mr Kraus.

The first is to continue to improve the performance of the machines. Such improvements include:

■ Colour screens – described by Mr Bisone as the last element that distinguishes notebooks from desktops. These should start selling in increasing numbers from next year. A number of companies are working on thin film transistor (TFT) technology which should provide excellent contrast, even in poor light.

■ Improved battery performance. Toshiba has started using nickel-hydride powerpacks which the company says lasts more than a third longer than traditional nickel-cadmium batteries. It claims the new batteries are also more environmentally friendly because they do not use cadmium.

■ Weight. A number of companies are developing new printed circuit boards with reduced number of components, as well as new light but strong packaging materials to reduce the strain on users' muscles.

The other method of differentiating products is to make the products customer-driven, according to Mr Kraus at Toshiba. "For years everyone has been talking about the big shake-out," he says. "Well now it's happening. Only those large enough or able to adjust their products for particular markets will be able to survive."

A number of vendors such as Toshiba and Grid are trying to develop a service to provide integrated solutions for companies. Toshiba, for example, is planning to develop digital video interactive technology for its machines so they can be used for technical training and financial services presentations. The company has had a number of seminars with potential customers to see what their needs are before they even develop the product.

Toshiba has also discovered a need for security features on the machines. Lost or stolen machines can be a security risk – as the British armed forces discovered when they lost a portable containing the United Nations' battle plans for the liberation of Kuwait. The company is developing an access control system and an encryption system for the hard-disk.

Meanwhile, ever-increasing numbers of jet-delayed businessmen can be seen in European airports writing reports on their laptops or fiddling with databases as they wait for flights. On the other hand, if they seem unwilling to let you see the screens, it may not be because the data is particularly confidential, but that they're embarrassed to be playing computer games. Well, they're better than Robert Ludlum novels.

The MastersPORT-386 SX from Zenith Data Systems. Portables are holding their own among sophisticated bigger products